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No. 8, August 1982

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7 December 1982

USSR REPORT
WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 8, August 1982

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ENGLISH SUMMARIES OF 'MEMO' ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 8, Aug 82
(signed to press 23 Jul 82) pp 157-159

[Text] The article "Europe on a Crucial Frontier" by Yu. Rakhmaninov is dedicated to the seventh anniversary of the Conference on Security and Cooperation in Europe. The signing of the Helsinki Final Act by the conference was an important event in the history of postwar Europe. It afforded new opportunities for the consolidation of peace and public security. The act represents an agreed-upon code of cardinal principles, meeting the demands of peaceful coexistence by states with differing social systems. The all-Europe conference initiated a new stage in detente and outlined the prospects for the development of peaceful cooperation in various fields of science, technology, culture, information, education and exchanges. The political contacts among signatories have become more extensive and more meaningful on all levels. The importance of Europe as one of the summits of human civilization and a factor of peace and cooperation on the global scale has grown. The Soviet Union and the Warsaw Pact countries believe that the main task now is to supplement political detente with military relaxation, and they have put forth some far-reaching proposals on military detente in Europe. The Soviet Union believes that the principles of relations, as laid down in the Final Act, must become universally recognized standards of international law.

In his article "The World Ocean in the Military Strategy of U.S. Imperialism," A. Astaf'yev said that the huge expanses and colossal resources of the world ocean have become an object of claims and annexation by imperialist and expansionist circles, especially the United States, in recent decades. The ruling circles of certain Western powers hope to maintain their geopolitical position by establishing control over the ocean expanses and thereby finding the solution to some economic and military-strategic problems. The present U.S. Administration and its bellicose partners have set out to upset the military-strategic equilibrium shaped during the past decade between the USSR and the United States and between the Warsaw Pact and NATO and to strive for superiority over the USSR on the seas by using naval forces. The composition and structure of the U.S. Navy, as well as the nature of American military policy and naval doctrine and, above all, the U.S. Administration's actual behavior in international affairs, including those concerning the world ocean, prove that the United States is extending its aggressive plans and unbridled arms race to the boundless ocean expanses, turning them into a zone of danger and military preparations and installing an increasing quantity of monstrous weapons there. This is the substance of the new U.S. naval

strategy. The socialist doctrine of struggle for arms limitation and reduction and for disarmament essentially says that there is no type of weapon that the socialist countries would not be prepared to limit or reduce on a reciprocal basis. This fully applies to naval armament, whether nuclear or non-nuclear.

In their article "The Economic Aspects of Reagan's Military Program," R. Faramazyan and V. Borisov expose the American plan for direct confrontation with the Soviet Union and for the achievement of global and regional supremacy over the USSR. The present American Administration wants to upset the existing approximate equilibrium of forces in the world. Citing numerous facts and data, the authors examine the peculiarities of the Reagan Administration's military program and show that the policy of achieving military superiority finds expression in the steady expansion of the scales of military preparations. The United States is allocating enormous sums for military research and development. The production of new weapon systems is being developed intensively. The United States gives pride of place to the export of arms and extensive military and economic aid to pro-American regimes. The military-industrial complex is playing a decisive role in the planning of military, political and economic measures, working out a military strategy and concepts which give it substantial influence on the national economy as a whole and on its militarization. The authors focus their attention on the economic consequences of Reagan's military program, stressing that the United States is gravely destabilizing the world situation by involving its allies in the arms race.

In the article "Problems and Contradictions of U.S.-Canadian Economic Integration," T. Lavrovskaya examines the objective prerequisites, current state and future prospects of North American economic integration as an essential counterbalance to the inter-imperialist rivalry among the three centers, pointing out the particulars of the Canadian attitude toward this process on the microeconomic and macroeconomic levels.

Considerable statistical data concerning trade relations and the movement of capital and labor between the two countries testify that transnational integration has had substantial results, in spite of the underdevelopment of the intergovernmental institutional mechanism, which has actually been confined to consulting and coordinating bodies. Although these results are supposed to adjust the main economic indicators of Canada to conform to American standards, they actually reflect the asymmetrical nature of the U.S.-Canadian partnership, in which the southern neighbor gives the northern one not only the momentum for economic progress but also its ills, namely inflation, unemployment and structural discrepancies.

The combination of imperialist contradictions with the negative effects of unequal cooperation is significantly hampering the purposeful regulation of regional relations and the conclusion of a "common market" type agreement. Nevertheless, the tangible gains resulting from U.S.-Canadian integration in the private sector and the mounting interaction in the reproduction process testify that the development of the North American center of inter-imperialist competition is highly probable.

The "small business" segment of the capitalist economy plays a significant role in economic growth because it is an important contributor to innovation and to technological progress in general. In an examination of the current state of this

sector, "Monopolistic Capital's Relationship with Small and Medium-sized Businesses," A. Tkachenko notes an increasing awareness of this sector's problems and potential among corporate and government policymakers.

The recent past has provided evidence of the noteworthy expansion of the economic "alliance" between monopoly capital and small business in various fields of activity: cooperation in research and development, the subcontracting of production requiring intensive research and development and the resurrection of the venture capital market. The cooperation of monopoly capital with the non-monopolized sector is marked by growing flexibility, bringing about new forms of business contacts. The dimensions and forms of this "partnership" are being increasingly affected by state regulation, which often turns government support of small businesses into a camouflaged form of aid to monopolies. Compelled to resort to more sophisticated social maneuvering and to therefore take the actual problems of the small business sector into account, the bourgeois state promotes the retention of the subordinate position of the non-monopolized economic segment to the benefit of the large corporations.

The interaction of production and consumption in the course of the reproduction process takes especially contradictory forms in the developing countries. In his article "Developing Countries: Rising Demands and Differentiated Consumption Patterns," A. El'yanov traces the evolution of rising demand in the developing world from the precolonial era to the present day, emphasizing the predominant role of external factors in the formation of current demands.

Using Marxist methodology as a basis, the author points out the specific features of the modern system of demands in the developing countries. First of all, the main role belongs to consumption, which has a strong influence on important economic parameters and often surpasses the limited possibilities of local production. Secondly, the dramatic change in demands, from the traditional needs stemming from local sociocultural conditions to the modern system of material values imported from abroad, involves recurrent shifts in demand, which create adjustment difficulties for the weak developing economies.

The statistics cited in the article attest to the increasing differentiation of local demands, resulting in two- or even three-digit discrepancies in the consumption of some essential necessities, especially in urban areas. The segmentation of demand as a result of this situation has a negative effect on the dynamics and structure of the developing economy, leading to agricultural imbalances, inflation and the increasing impoverishment of the masses. The aggravation of these problems could not be curtailed by the arbitrary severance of all foreign connections. The only way to resolve them is to undertake the restructuring of socioeconomic relations and to initiate industrialization with a view to the vital needs of the developing states.

In her article, "The Developing Countries in the Political Structure of Today's World," I. Zorina poses some questions: Is it correct to regard the developing world as an international and political community of states? What are the bounds of this community? Where do the lines of demarcation and differentiation run? What is the positive contribution of the developing countries in the sphere of international relations?

Summing up the results of political decolonization, the author notes the considerable rise in the number of participants in international relations, the gigantic shifts in the very geography and demography of international politics and the fundamental changes in the composition of the United Nations and in the essence of the activities of this and other international organizations. The author discusses the following factors, which make the developing world an international and political entity: a number of comparatively similar, objectively necessitated long-term tasks of national development, the developing states' continued and increasingly complex dependence on the developed capitalist states within the framework of the world capitalist economy, their intermediate position between the two systems and their ability to rely upon the aid and support of world socialism. The author turns to the experience of the non-aligned movement and the "group of 77," which is leading these countries to a global level of international relations, and questions the extent to which the developing countries have become the subject of international politics and equal participancy in this process. This prompts the author to examine the international political structure of the developing world itself and to try to classify the foreign policy positions of the developing countries on the basis of the following interconnected criteria: their attitude toward the two world systems and toward other developing countries and the degree of their independence in international relations.

The late 1970's and early 1980's were marked by the acceleration of the inflationary tendencies due largely to changes in state regulation as a result of new theories in the leading capitalist countries, primarily the United States and Great Britain.

In the article "Inflation and Monetarism," S. Nikitin presents a critical review of the main concepts of conventional theories of inflation, namely Keynesian postulates and the doctrine of "cost-push inflation," as well as the practical suggestions to counter inflation by means of "deflation policy" and "income policy." The author suggests that these theories and subsequent regulatory techniques have failed to offset inflation by continuing to orient policy toward the manipulation of aggregate demand. The economic recession, which has been aggravated by increasing inflation and budget deficits, focused attention on monetarist views regarding the excessive growth of money supply as the major cause of the present inflationary processes. The monetarist anti-inflation prescriptions focus on the drastic curtailment of government expenditures, tighter restraints on monetary growth and tax relief for business, especially for large corporations.

The analysis of the general and particular features of monetarism in Great Britain and the United States testifies that the new anti-inflation policy practiced within the framework of so-called "Reaganomics" has not produced the desired results and has even produced discouraging ones.

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DEVELOPMENT OF U.S. NAVAL STRATEGY EXAMINED

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(signed to press 23 Jul 82) pp 15-25

[Article by A. Astaf'yev: "The World Ocean in the Strategy of American Imperialism"]

[Excerpt] I

The navy has long been the United States' most important foreign policy instrument and a means of imposing American wishes on other states. As early as the end of the 19th century, an American naval theorist, Admiral A. Mahan, and English Admiral F.H. Colomb mapped out the theory of "naval strength" that substantiated the decisive role of navies in armed struggles and proclaimed "dominion of the seas" the "principal way of attaining world dominion." This theory won widespread recognition in the United States because it reflected the expansionist nature of American capitalism's policy in various parts of the world. Although the theory of "naval strength" never achieved the status of an official U.S. doctrine, it continued to have a significant effect on the construction of the navy in subsequent decades. What is more, at the end of World War II the ruling elite expressed the belief that the necessary conditions for the implementation of Admiral Mahan's idea about "dominion of the seas" had been established for the first time in U.S. history.

There is no question that naval strength has been one of the principal material instruments of Washington's aggressive policy line throughout the postwar period. The situation has not undergone any significant changes in the nuclear missile era. Even during the 1950's, when the primary role was assigned to strategic aviation as the carrier of nuclear weapons, naval missile systems were constantly developed and naval forces were constantly built up.

At the beginning of the 1960's President J. Kennedy demanded the establishment of "a free hand for the United States in the world ocean by means of the creation of a strong navy and merchant fleet." The American press reported at that time that nuclear potential plus naval power would supposedly allow the United States to "freely exercise its God-given right to rule the world." In accordance with this aim, naval circles acquired much stronger influence in the foreign policy establishment and the U.S. Navy was assigned a more important role in all of the different international conflicts started or fueled by Washington. According to the

calculations of the American Brookings Institution, U.S. naval forces (especially the marines) were "put to work" for political purposes 177 times in the 1946-1975 period. According to American law, the Marine Corps is the only branch of the armed services that can engage in combat on the personal orders of the President, without the consent of the Congress. Former Chairman of the Senate Foreign Relations Committee W. Fulbright, a renowned figure in U.S. politics, once wrote: "For many years now, we have either been fighting or preparing to fight a war in various parts of the world. War and the military have become an integral part of our daily life, and violence is our country's most important product."

In the second half of the decade the idea of primary reliance on naval strength as the main element of military policy was "reborn." The engineers of the "ocean strategy" put forth the following arguments:

The U.S. Navy is capable of delivering nuclear strikes to targets on enemy territory from virtually all sides;

The transfer of strategic missile launchers to the ocean would remove launching pads from U.S. territory, which would dramatically reduce the number of targets on the continent and, consequently, "deflect" some nuclear strikes away from the United States;

Underwater nuclear weapon systems are more hidden and mobile than systems located on the land. This concept marked the beginning of a fundamentally new stage in the formation of the ideology of naval interventionism in the United States. The "ocean strategy," as its apologists assert, provides opportunities for the more effective attainment of U.S. political and economic goals abroad. In turn, it served as the theoretical foundation for the concepts of "naval power" and "control over the seas," which the United States is still using as a guide.

The increasing importance of the naval element in the political theories of U.S. ruling circles was accompanied by measures for the practical improvement of naval combat potential. Although priority has been assigned to different elements of the U.S. armed forces at different times (airborne nuclear strength in the 1950's, balanced armed services in the 1960's and naval potential in the 1970's), the qualitative improvement of the U.S. Navy and the expansion of the zone of its possible use have been virtually continuous. As a result, American naval forces now possess effective and varied strategic weapons, distinguished by such properties as maneuverability and flexibility, which gives the Pentagon reason to regard them as the most promising and universal type of armed forces.

What is the purpose of all this? We will see what American naval authorities have to say. Admiral S. Turner, who was later the director of the CIA, said in 1977 that the navy's main function was "to control the seas," implying an "ability to secure its country the possibility of using the seas and depriving others of this possibility." When he was naval chief of operations, Admiral E. Zumwalt wrote: "Winning and keeping dominion in the world ocean is mainly the responsibility of U.S. naval forces, because our allies are shouldering most of the burden connected with the maintenance of land-based forces." His successor, Admiral Holloway, said at the end of 1975 that sea lanes were channels for the spread of American influence.

As for President Reagan, he was already stating his intention to "revive U.S. naval might and use it effectively" during his campaign. His words are now being echoed by Secretary of the Navy J. Lehman, who is openly appealing for "American dominion on the seas" and the construction of a "huge navy, which could take action simultaneously in different regions of the world ocean." These are apparently some of the distinctive features of the "new naval strategy" the Reagan Administration has been advertising. According to the WASHINGTON POST, it essentially means that "naval warfare would not be confined to any geographic region, but will acquire a global character." It is true that U.S. naval presence is being expanded in all parts of the world ocean and its naval forces are being trained for offensive operations against the USSR in its own territorial waters. The facts testify that people in Washington are still thinking in 19th-century terms and are still speaking Mahan's language.

The significance of naval strategic actions has recently been noticeably enhanced and it has become obvious that U.S. naval forces are being trained primarily for operations against the surface targets of the potential adversary, which are located far within the adversary's territory. It must be said that the relative invulnerability of the United States in the past due to its geographic location taught the Americans to look at war from the standpoint of the damage they can cause the enemy to suffer, and not through the prism of the losses they themselves might incur.

The Pentagon is again initiating a new round in the race for naval weapons, just as it has on numerous earlier occasions in the postwar period. In recent decades there has been a clear tendency to concentrate more and more American nuclear potential on less vulnerable--naval--carriers, primarily the nuclear submarines on constant patrol. The United States was the first, for example, to develop missile carrier atomic submarines (SSBN's), the designs of which began to be drawn up as early as 1946. The first atomic missile carrier, the "George Washington" with a displacement of 6,800 tons and 16 "Polaris A-1" missiles (with a range of 2,200 kilometers), was launched in 1959 and was on combat patrol by the end of 1960. The nuclear warhead of its missile had a yield of 600 kilotons, or 30-40 times the yield of the bomb dropped on Hiroshima. Since that time the missile carriers and their weapons have been improved and their number has risen. In 1960 the warheads of the sea-based missiles accounted for only 1 percent of the "Triad's" strategic nuclear munitions, but the figure was 17 percent in 1965, 36 percent in 1970 and over 50 percent in 1981. Although the total number of atomic submarines and the ballistic missiles they carry has not changed since the 1960's, the United States has installed 5,500-6,000 nuclear warheads on these missiles, or 3 times the number of nuclear missiles on land-based ICBM's.

Fourth-generation "Trident" nuclear submarines are now being built in the United States (with a displacement of 18,700 tons). The first submarine of this system (called the "Ohio") was launched in 1979 and started operating in 1981. Eight of these ships are on the stocks and funds have been allocated for another four (the 12th should be ready by 1990). According to reports in the press, the total number of these missile carriers will probably range from 20 to 27 (three squadrons). The total construction cost will range from 25 to 50 billion dollars.

The "Poseidon" missiles on 10 to 12 "Lafayette"-type submarines are being replaced with "Trident" missiles. Besides this, the United States is "rearming" the English Navy with "Trident" missiles. The obsolete "Polaris" nuclear submarines (8 vessels)

will be retained for combat purposes but will be reclassified as strike (or multipurpose) submarines. Their launch tubes will carry 5-7 cruise missiles, not counting the cruise missiles in their torpedo compartments. As a result, the United States will supplement its arsenal with 900-1,000 submarine-launched cruise missiles. In addition, several hundred SLCM's will be installed on multipurpose nuclear torpedo submarines beginning in 1981. All of this represents a new and dangerous step in the race for nuclear arms and will create serious problems in future arms limitation talks, as the location of cruise missiles is difficult to verify.

The base for the nuclear missile submarines of the "Ohio" type will be in Bangor (Washington) and their zone of operations will be the Pacific Ocean, and possibly the Indian Ocean. Kings Bay (Georgia) has been chosen as the base for the submarines being reequipped with "Trident 1" missiles, and their zone of combat will be the Atlantic Ocean. Each year a new "Trident" missile carrier will be put in operation. During the next 5 years, the Pentagon plans to spend 42 billion dollars on strategic submarines and their missiles. The nuclear submarine "Ohio" has twice the tonnage of existing submarines, 1.5 times as many launch tubes and 2.5 times the total warhead yield. One such missile carrier is equivalent to ten "Polaris" submarines in terms of combat capability. The USSR once expressed its willingness to conclude an agreement with the United States on the limitation of new submarines of the "Ohio" type in the United States and similar vessels in the USSR. Our country also proposed a ban on the modernization of existing ballistic missiles on these ships and on the development of new ones. After Washington rejected the Soviet proposal, however, the USSR had to develop a similar system of nuclear missile submarines.

Even such a "seawolf" as Admiral Rickover, who acquired the reputation of the "father" of the U.S. nuclear submarine fleet (121 of these submarines were built under his supervision), pointedly criticized the Pentagon at the end of his career (in 1982), blaming it for the unbridled arms race and the incredible price America will pay for, in his words, "not security but ruin."

What is the reason for this exceptional interest in naval missile systems and the "Trident" system in particular?

The fact is that the American military regards the submarine missile system as the most effective type of strategic strike force. It is always in a high state of readiness and has missiles of considerable strength, high accuracy and long range. Other reasons are the virtually unlimited cruising range of submarines, which can remain far away from their bases for a long time, their underwater concealment from enemy observation and actions, their ability to deliver strikes across a broad front from various directions and the greater opportunities they afford for the global control of armed forces and weapons.

The prevailing view in U.S. military circles is that the nuclear missile submarines will remain the most important element of the nuclear "Triad" until the end of this century. Washington's escalation of the quantitative and qualitative naval arms race and the increasing number of highly accurate nuclear warheads are having a dangerous destabilizing effect on the Soviet-U.S. military-strategic balance. The tendency to turn U.S. naval missile systems into a potential "first

strike" weapon compounds the risk of a thermonuclear world war with all of its consequences.

II

The United States had already surpassed England and created the capitalist world's largest naval fleet during World War II. Suffice it to say that the U.S. Navy had 5,000 ships by the end of the war. Many of them were later put in reserve or scrapped: The number had dropped to 1,200 by the beginning of the 1950's and to 970 by the time of the Vietnam war; in the 1970's the U.S. Navy had around 500 ships. At the same time, the fleet was growing younger. Qualitatively new warships were launched, including vessels with nuclear engines, missiles and the latest radar equipment. In essence, the navy underwent total modernization in the last 20 years. Nevertheless, constant efforts are being made for the quantitative augmentation and qualitative improvement of the navy. In 1976 the U.S. National Security Council acknowledged the need to maintain an active fleet of 600 combat vessels of the basic categories (excluding the huge reserve fleet) for the next 10-12 years. The Reagan Administration adjusted this program for the purpose of increasing the number of combat vessels to 770 by 1997 (including 600 vessels of the basic types).

The U.S. Navy now has 720 combat ships and launches (including around 550 vessels of the basic types), 20 aircraft carriers, 40 nuclear missile submarines, 79 nuclear multi-purpose submarines, 4 battleships and 240 cruisers and escort ships.

In recent years the navy has received the largest share of military allocations. The budget for fiscal 1979, for example, allocated the navy 41.8 billion dollars--7 billion more than the air force and 10 billion more than the army. Naval expenditures in 1980 totaled 46.1 billion dollars, in 1981 they exceeded 50 billion, and in 1982 they are expected to reach 72 billion dollars. The Reagan Administration budget assigns the navy 38 percent of all military appropriations. Although nuclear missile submarines now constitute the navy's main strike force, 12-15 large surface ships (previously battleships but now aircraft carriers) represent the basis of the U.S. naval structure. Task groups and carrier forces are built up around the aircraft carriers for operations in specific zones. It is the aircraft carrier fleet that largely determines the size, structure and cost of naval forces in general.

American strategy demands constant naval presence in all key areas of the world ocean. Proceeding from the "advance frontier" concept, the U.S. Administration has approved the constant presence of one or two combat-ready carriers in the West Pacific, two in the Indian Ocean and two in the Mediterranean for the next few years. As the main strike force, aircraft carriers are assigned the main role in any type of combat (with the exclusion of a nuclear world war, in which case they will be put in strategic reserve). In the past, the Pentagon felt it was optimal to keep 12 attack (multipurpose) aircraft carriers and the same number of air groups in a state of combat readiness. The Reagan Administration wants to raise the number of aircraft carriers to 15, which will increase the naval fleet to 600 ships of the basic types. The significance assigned in the United States to aircraft carriers is attested to in an article in the American Navy magazine

AWAY NAVY (May 1974): "If all of our aircraft carriers were suddenly put out of action, the United States would lose all hope of retaining command of the seas."

The regular navy (not counting reserves) now has 10 aircraft carriers with conventional means of propulsion and 3 nuclear aircraft carriers (the "Enterprise," "Nimitz" and "Eisenhower"). A fourth (the "Carl Vinson") is being built. In 1980 the navy signed contracts for the construction of a fifth nuclear aircraft carrier, the "Theodore Roosevelt." According to the fiscal 1983 budget, funds will be allocated for 2 more nuclear aircraft carriers. An attack (multipurpose) aircraft carrier generally serves as the base for an air group consisting of 6-7 air squadrons (80-100 combat planes and helicopters), half of which are carrier-based attack planes carrying nuclear weapons.

The modern aircraft carrier is the most complex and costly type of surface ship, costing hundreds of millions of dollars to operate each year. A ship of this kind has a crew numbering 5,000-6,000. Motivated by hegemonic ambitions, however, American leaders are not counting material costs. An aircraft carrier is highly mobile (within 24 hours a carrier strike force can cover a distance of 1,100 kilometers). Ships of this type are often at sea for 40-50 days without entering a port. They are widely used directly in combat or punitive operations and in shows of U.S. naval strength. In other words, they are used to exert political pressure on progressive regimes or regimes that are not to imperialism's liking. Between 1955 and 1975 alone, U.S. aircraft carriers were "put to work" in one way or another in 59 international crises. A diversified network of naval bases with ship repair facilities and docks is being established on the U.S. coastline and abroad for the aircraft carriers. A naval aviation base with aircraft repair enterprises is generally located near a naval base.

Modernization and repair can keep an aircraft carrier operating for up to 40-45 years. Carrier reserve forces are supplemented with a naval rear (a total of more than 40 special vessels of various types accompanying carrier task forces), as well as cargo planes and helicopters. For example, even a nuclear aircraft carrier uses around 18,000 tons of aviation fuel each month, and a boiler and turbine carrier uses up to 12,000 tons of ship fuel. The munitions on aircraft carriers weigh 2,000-3,000 tons.

One of the distinctive features of the American Navy is its large all-purpose landing vessels. Five such ships of the "Tarawa" type (with a displacement of 40,000 tons each and a speed of 20 knots) combine the properties of an amphibious dock ship, a troopship, an attack helicopter carrier and an amphibious helicopter dock ship. Each can carry more than 2,500 marines with all of the necessary equipment, and their landing is accomplished with the aid of amphibious launches and 30 helicopters, each of which can carry up to 40 people. Seven helicopter carriers of the "Iwo Jima" type (18,000 tons) can carry up to 2,000 people, and the amphibious helicopter dock ships (16) of the "Relay" type (16,000 tons) can carry 1,200 marines. There are also command ships for the amphibious forces and other landing vessels supporting the actions of the Marine Corps.

The composition of the U.S. Navy and the place and significance of its carrier task forces and landing vessels confirm the fact that this branch of the armed services and U.S. naval doctrine are far from defensive in nature. This is also attested to by the organizational structure of the navy.

III

The creation of a large navy equipped with a variety of modern means of warfare necessitated a fairly complex administrative and operational organization. The navy is headed by the secretary of the navy and the chief of naval operations. From the administrative standpoint, the U.S. Navy consists of two main fleets--Pacific and Atlantic (it has long been the intention of the American leadership to create a special fleet for the Indian Ocean as well). The Atlantic and Pacific fleets are headed by commandants under the direct jurisdiction of the chief of naval operations.

The naval units of the Atlantic fleet are designated by even numbers and those of the Pacific fleet are designated by odd numbers. Each has similar surface, underwater and airborne formations and marine subunits.

The commandants of the Atlantic (headquartered in Norfolk) and Pacific (headquartered in Pearl Harbor) fleets are responsible for their day-to-day administration and make decisions on personnel affairs, base assignments, combat training, material and technical supply operations and ship repairs.

In terms of operational organization, the naval forces are governed by the appropriate U.S. combined commands in the main potential theaters of combat. These combined commands are now functioning in a number of regions: the Atlantic Ocean, Western Europe, the Pacific Ocean and Central and South America (including the Panama Canal Zone). The naval commandant in each zone has jurisdiction over naval and operational fleet commanders.

The highest operational naval unit is the operational fleet, which includes units of all types of naval forces and is expected to carry out operational strategic tasks independently and in conjunction with other branches of the armed services. It generally includes aircraft carrier, antisubmarine, amphibious and other units, as well as service forces. The fleet commander and his operational headquarters are located on the fleet flagship (usually a cruiser or command ship).

The operational Atlantic fleets are the second and sixth, and the Pacific fleets are the third and seventh. The Pentagon, as was pointed out above, wants to create a new, fifth fleet in the Indian Ocean, where ships from the sixth and seventh fleets are already located. A NATO attack fleet, consisting of two U.S. aircraft carrier forces and two English forces of the same type, is created in the Atlantic during periods of training and maneuvers (and emergency situations).

The main role is played by the sixth and seventh operational fleets, which are always among the forward-based groups of armed forces, are distinguished by a high state of combat readiness and consist of one-third of the regular navy under ordinary circumstances and up to one-half at times of crisis.

The system of global U.S. naval presence in peacetime is supplemented by the Marine Corps--a mobile force which is always ready for immediate transfer to a zone of hostilities. Performing police functions abroad, it has taken part in more than 300 punitive and military operations, landing from the sea and the air.

The Marine Corps, as a branch of the navy, consists of three divisions (one in the Atlantic and two in the Pacific), reinforcement units and rear support and service groups. It is relatively independent and has a status equivalent to the branches of the armed services, but it is directly under the jurisdiction of the secretary of the navy through the Marine Corps commandant. The basic tactical marine formation is the expeditionary battalion (2,000 men), constituting one-ninth of the expeditionary division and consisting of a marine battalion, reinforcement and service subunits and a combined squadron of combat planes, amphibious transport helicopters and fire support helicopters. Battalions of this kind are permanently based on amphibious ships and troopships in or near "hot spots" of the world ocean. Marine subunits are also being trained for operations in the European military theater (this was never done before). Marines also perform police and guard functions on ships, in shore units and in naval establishments.

The combat training of the U.S. Navy is of a traditionally offensive nature and is frankly directed against the USSR and other countries of the socialist community. The American Navy heads and organizes all of the main naval exercises of countries belonging to aggressive blocs, with the use of the warships of several developing states, in the Atlantic, Pacific and Indian oceans. In the postwar period the United States has declared huge regions of the world ocean zones of its "vital interests," particularly the Mediterranean, the Middle East, the Persian Gulf and a large part of the Indian Ocean. These expansionist actions are formally camouflaged by discussions of the need to protect the most important sea lanes for the United States and its allies in Western Europe and the Far East and ensure their supply with raw materials and energy sources. In fact, of course, the motive is quite a different one.

When U.S. ruling circles expand their presence in various parts of the world ocean, they regard it primarily as one way of "projecting American military strength"--that is, using military force to counteract the process of insuperable historical changes in the world and the national liberation movement. The position taken by the United States in the conflict over the Falkland (Malvinas) Islands also proves that U.S. military strength is no longer being used--directly or indirectly--exclusively against anti-imperialist forces in the developing world. The developing nonaligned states which occupy objectively pro-Western positions and are even formal allies of the United States in connection with various international agreements, but which take the risk of going too far, in Washington's opinion, in defense of their own national interests, are not insured against the use of U.S. military, primarily naval, potential. Now Argentina has become the victim of the American-English alliance, and tomorrow Saudi Arabia or another developing state could meet the same fate.

The Indian Ocean has occupied a special place in U.S. global strategy in recent years. This region is unique in terms of the wealth of its natural resources (two-thirds of the oil and uranium deposits in the capitalist world, half of the gold, four-fifths of the diamonds, etc.). This is an area of heavily traveled sea lanes connecting Europe, the Far East and Africa: Nuclear missiles could be deployed on numerous bases and support points here, with the island of Diego Garcia at the center.

On the pretext of ensuring uninterrupted oil shipments through the Strait of Hormuz, the United States is making plans to create a "special international force" in the Persian Gulf zone. In 1980 a "rapid deployment force" began to be

formed in the Indian Ocean basin, with a Marine Corps nucleus. Militaristic circles in the United States are not even trying to conceal the fact that it would be the duty of this force to seize oilfields and strategic points "if the need should arise," openly intervene in the internal affairs of sovereign states and overthrow and destabilize regimes that are not to Washington's liking.

The fundamental ability of the neocolonial "rapid deployment force" created by the United States to perform functions of this kind is attested to by the "Bright Star" exercises conducted by the United States at the end of 1981 on the territory of Egypt, Somalia, Sudan and Oman. At the beginning of this year, there were reports in the American press about plans for the further expansion of the U.S. Marine Corps (from 190,000 men to 202,000) and the augmentation of its budget by 40 percent in the next 5 years (excluding the many types of weapons the American Marine Corps will receive through the funds of other branches of the armed services, primarily the navy).

The United States also has extremely far-reaching military-political plans in Central America, which are also connected to a significant extent with the use of naval potential. Here U.S. imperialism's attempts to conduct subversive activity against real socialism (provocations against Cuba) are most closely connected with its attempts to counteract progressive changes in the countries of this region (subversive activity against the people of Nicaragua and the attempted limited reforms from the top down in Honduras) and its open support of the extremely reactionary forces and regimes that are actually fighting a war against the people of their own countries (El Salvador). People in the Central American countries remember that since 1798 the United States has committed 14 armed actions against Mexico, 13 against Cuba, 11 against Panama, 10 against Nicaragua, 9 against the Dominican Republic, 7 each against Colombia and Honduras, 5 against Haiti, 3 against Puerto Rico and 2 against Guatemala. Virtually no Central or South American country can feel safe against American military intervention, and the realization of this is growing in all states of the continent.

When the Republican Administration headed by President Reagan entered the White House, U.S. military-strategic claims on the Pacific zone began to be made more frequently. The idea that the new administration would "revive America's strong role in Asia and the Pacific" was expressed in the Republican Party campaign platform and in subsequent statements by President Reagan, Secretary of State Haig and Secretary of Defense Weinberger. In 1981 the number of personnel in the U.S. Seventh Fleet in the Pacific was increased by more than one-third; Japan was compelled to assume "heightened responsibility" for the expansion of the naval and air patrol zone in the northwestern part of the ocean; the military activity of Australia, New Zealand and the ASEAN countries is being stimulated in every way possible.

All of these U.S. actions have a single target--they are directed against the United States' own allies in aggressive blocs and agreements. It is completely obvious that U.S. imperialism, by setting itself up as the "guarantor of the security" of sea lanes but essentially turning the latter into a target of its own expansion and escalating international tension in the world as a whole and in individual regions, including the regions of the most lively international commercial shipping, is striving to exert pressure on its allies and competitors,

attach them more closely to its own foreign policy line and simultaneously acquire a channel of additional influence on the state of their economy.

Therefore, the composition and structure of U.S. naval forces and the nature of American military policy and naval doctrine, primarily the actual behavior of the administration in international affairs, including its behavior in the world ocean, provide irrefutable proof that the United States is striving to realize its own imperial ambitions by extending its aggressive plans and its arms race to the oceans, making them a zone of danger and military preparations and deploying more and more lethal weapons there. This policy is contrary to the wishes of peoples, who are acting more resolutely in defense of peaceful, independent development and for the prevention of a nuclear catastrophe.

IV

In the interest of peace and international stability and in order to ensure the reliable and unimpeded use of the most important international shipping lanes, the USSR and the other Warsaw Pact states put forth an initiative in May 1980, suggesting the limitation and reduction of military presence and military activity in the Atlantic or Pacific Oceans, in the Mediterranean Sea or in the Persian Gulf. This matter could obviously also be discussed within the UN framework. The Soviet State is also prepared to take more radical steps: It believes that states possessing strong navies should consider this matter together.

The USSR occupies a principled and clear position with regard to the Indian Ocean: It favors the prohibition of the emplacement or deployment of weapons that have never been emplaced in this zone, in the waters and on the coastlines and islands of this ocean; it favors the limitation of the naval presence of non-littoral states; it is against the construction of new military bases and the enlargement of existing ones there. The USSR regards the dismantling of foreign military bases in this region as a key issue. The Soviet Union has expressed its willingness to gradually and consistently solve these problems on the basis of equality and the equivalent security of sides, stressing that a freeze on military activity should be mutual and should mark the beginning of a process leading to a lower level of military activity on both sides. The Warsaw Pact countries support the proposal of the Indian Ocean states on the transformation of this region into a zone of peace and are prepared to cooperate with them. For example, the USSR is taking an active part in the preparations for an international conference on this matter.

In the middle of June 1982 the USSR took an exceptionally important step which was highly commended by the world public--it unilaterally pledged not to initiate the use of nuclear weapons. The peaceful Soviet initiatives announced from the rostrum of the 17th congress of Soviet trade unions also had widespread repercussions, particularly the proposal on the mutual limitation of the military use of the world ocean, which was directed against the militarization of the ocean expanses.

The USSR has expressed its willingness to reach an agreement on the mutual limitation of the activities of NATO and Warsaw Pact navies and has proposed that the missile carrier submarines of both sides be withdrawn from their present huge combat patrol regions and that their cruising be confined to mutually acceptable areas. "We," L. I. Brezhnev said, "would also be willing to discuss the extension

of confidence-building measures to the seas and oceans, particularly the regions of the most heavily traveled sea lanes. In short, we want as large a part of the world ocean as possible to become a zone of peace within the near future."

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MILITARY BUILDUP THREATENS PROBLEMS FOR U.S. ECONOMY

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 82
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[Article by R. Faramazyan and V. Borisov: "The Economic Aspects of Reagan's Military Program"]

[Excerpts] After choosing the line of "direct confrontation" with the Soviet Union on the global and regional levels, the present American leadership began an unprecedented escalation of the arms race in an attempt to disrupt the approximate balance of military-strategic forces in the world and to achieve military superiority over the USSR. The Reagan Administration's military-political aims essentially represent a program for the thorough preparation of a military base for wars of varying scales and intensity. The steps it has taken to quickly augment--and, furthermore, to colossal dimensions--military strength are seriously complicating the international situation and increasing the danger of a new war.

The decisions made by the American Administration indicate that the following features of the United States' present military program are the most important from the standpoint of military economics: dimensions unprecedented in peacetime; an emphasis on larger purchases of military equipment with the retention of a relatively permanent personnel level; reliance on military research and development as the major way of ensuring military technical superiority. All of this presupposes the intensive development of the military-industrial and technological base and not only augments the role of military-economic factors in the buildup of military strength but also increases the military sector's influence on all U.S. economic development.

II

The reinforcement of the military industry's production base has been assigned a prominent place in the American rearming program. A strong military industry was built up in the country during the postwar period. It manufactures all types of modern complex and costly military equipment and is capable of exporting weapons in huge quantities as well as completely equipping U.S. armed forces. The U.S. share of military production in the capitalist world far surpasses its share of its total industrial production. It accounts for three-fourths of all the airborne missile equipment, more than two-thirds of the ships and approximately half of the artillery weapons produced in the NATO countries.

In recent years the administration has taken various measures to modernize and expand the military-industrial base and intensify military production. It wants to establish the kind of production and technological base that will ensure the completion of Reagan's rearming program and the large-scale plans for the creation of new weapon systems. Various measures have been taken to renew and expand fixed capital, raise the capital-labor ratio in military and military-related branches of industry, reorganize their material and technical base through the use of the latest highly productive equipment and raise the level of mechanization and automation in production and administration processes. Special attention is being given to the disclosure and elimination of bottlenecks in the military industry.

After assessing the capabilities of the U.S. military industry, the Reagan Administration decided that its projected massive increase in arms production would not overload military branches because there is still considerable scope for the augmentation of the military output. According to the administration's plans, when presently underloaded production capacities are being used to their full potential, military-industrial corporations will invest funds in their enlargement as military demand rises and the increasing arms market will attract new firms. The Pentagon intends to use long-term contracts more extensively and to introduce other improvements into the purchasing procedure in order to stimulate the modernization and expansion of the military-industrial base.

Military-industrial corporations have received a "double present" from the Reagan Administration: large tax cuts and a considerable increase in allocations for military purchases. The administration expects military-industrial firms to use available funds for the augmentation and renewal of fixed capital as the demand for weapons rises. The administrators of the corporations are in no hurry, however, to take such steps. Taking advantage of their monopoly in the market for some weapon systems, they have preferred to accumulate a portfolio of orders. Furthermore, the Pentagon's large contractors have considerable surplus capacities. One navy report said, for example, that the maximum production capacities of general contractors for the basic types of carrier-based aircrafts were at least 4 times as great as current deliveries.⁶

One important feature of the production of modern weapon systems is the division of most of the work (more than half of the contract value) among many subcontractors and suppliers. It has been estimated, for example, that around 60 percent of the funds allocated for the production of the B-1B bomber will be paid out to approximately 3,000 subcontractors and suppliers in different states.⁷

It is precisely on the level of subcontractors and suppliers that certain difficulties are now arising. In particular, it is taking much longer to deliver certain types of weapons. This is connected primarily with the inadequate production capacities of subcontractors and the shortage of equipment, scarce metals (such as molybdenum and titanium) and skilled manpower.

A recently published report by a special research group appointed by the House Armed Services Committee deliberately painted a "shocking picture" of the state of affairs in some sectors of the military industry. The purpose was obvious--larger allocations for the modernization and expansion of the military industry and,

consequently, the presentation of another gift to military-industrial corporations. On the whole, however, the report was a fairly accurate description of the present situation. American economists have long been pointing out the Pentagon's chronic "purchasing ills," the symptoms of which are reflected primarily in the over-expenditure of funds, technical errors and the failure to meet deadlines.

The rising cost of weapon systems is a particularly acute problem. According to official estimates, the rise in prices (in millions of dollars) between January 1980 and March 1981 was the following: from 1.39 to 2.44 (76 percent) for the M-1 tank, from 1.47 to 2.26 (53 percent) for the "Patriot" antiaircraft missile complex, from 3.71 to 5.54 (49 percent) for the UH-60 helicopter, from 22.38 to 32.01 (43 percent) for the F-18 fighter plane, and from 4.2 to 5.8 (38 percent) for the GLCM (ground-launched cruise missile).⁸

The initial estimates of the cost of weapon systems are generally much too low. According to the information of a congressional committee, the discrepancy between the planned cost of large weapon systems and their actual current cost rose from an average of 31 percent in 1969 to 190 percent in June 1981.⁹ These figures attest mainly to the attempts of military contractors to raise the cost of the weapons they produce to the maximum and thereby increase their profit value.

In spite of the clear symptoms of these "purchasing ills," the Reagan Administration expects the prices of articles acquired by the Department of Defense to rise in accordance with the overall rate of inflation. In this connection, Director A. Rivlin of the Congressional Budget Office noted that inflation in the military sphere had been 1.7 percent higher each year than the overall GNP deflator for the last 8 years.¹⁰ According to UN experts, the prices of electronic equipment purchased in the United States between 1972 and 1980 "in the interest of national defense" rose by an average of 6.6 percent a year, while the prices of radio and television sets for personal use rose by only 1.6 percent a year.¹¹

The disclosure of "bottlenecks" in the military industry, according to American economist R. Kaufman, is being complicated by the failure of macroeconomic studies to indicate the production capacities of subcontractors and suppliers and by the difficulty of separating the military production of large military-industrial firms from their civilian production. Several private firms have recently attempted to analyze this problem. Researchers from Data Resources compared the projected 1986 production levels of 50 branches engaged in the manufacture of military goods with the maximum earlier production levels of these branches. The rise in military demand envisaged in Reagan's program will necessitate an unprecedented production increase in many key branches producing military goods. For example, the production level of aviation engines and semiconductors will have to be 47 percent higher than earlier maximum levels, the level of guided missiles will have to be 48 percent higher and the computer level should be 67 percent higher.¹²

Renowned American economist C. Schultze, who was chairman of President Carter's Council of Economic Advisers, compared the increased purchases envisaged in Reagan's military program with the projected expansion of the physical production sphere in the next 4 years and came to, in his words, "the fairly unexpected conclusion that around 30 percent of the increase in the share of the GNP representing commodity

production will be spent on military needs in the next 4 years." According to Schultze, this testifies that the Reagan program's emphasis on purchases of military equipment and the extremely rapid buildup of military strength will create bottlenecks in the military industry, aggravate the shortage of skilled manpower and specialized components and exacerbate management problems.¹³

The Reagan Administration hopes to use a group of legislative, organizational and financial measures to eliminate existing "bottlenecks" in the military industry, strengthen it considerably and prepare it for maximum rearming. Besides this, it wants to enhance the economy's mobilization potential so that it can be quickly redirected for military purposes in the event of an emergency and ensure the mass production of weapons and other types of military equipment by utilizing up to half of the national GNP for military needs. Considering the fact that the funds spent annually on the war in Vietnam were equivalent to 9 percent of the GNP, funds spent in Korea were 15 percent and expenditures in World War II were 36 percent of the GNP, the unprecedented scales of the American leadership's present plans for the subordination of the national economy to the interests of military preparations become obvious.

III

The work on Reagan's rearming program is being accompanied by an increase in absolute military expenditures and by the increasing militarization of the entire U.S. economy. The projected rate of increase in military spending in the next few years will far surpass the economic growth rate. As a result, according to official estimates, the proportion accounted for by military spending in the GNP will rise from 5.2 percent in 1980 to 7.4 percent in 1987. This estimate is based on the assumption that the average annual rate of GNP growth in the 1983-1987 period will be 4.6 percent¹⁴ (according to many American specialists, this is hardly attainable). As a result, proportional military expenditures will probably rise even more quickly. A comparison of official data with the estimates of American economist L. Thurow is presented in Table 3.

Table 3

% of U.S. GNP Used for Military Purposes

<u>Fiscal Years</u>	<u>Official Estimates</u>	<u>Thurow's Estimates</u>
1981	5.7	5.7
1982	5.9	6.0
1983	6.3	6.6
1984	6.4	6.9
1985	6.9	7.6
1986	7.1	8.1

Source: THE BULLETIN OF THE ATOMIC SCIENTISTS, October 1981.

The increasing tendency toward militarization is also attested to by the official estimates of a rise from 22.9 percent in fiscal 1980 to 37.2 percent in fiscal 1987 in the proportion accounted for by military expenditures in the federal budget.

The influence of the projected tremendous growth of military expenditures on the U.S. economy has recently been hotly debated in the American press and in the political and business communities. Some press organs have described the new military budget as "Reagan-style armed robbery." Senator Levin called the sharp increase in military spending accompanied by cuts in social programs "tantamount to a declaration of economic war on America by the administration." Senator O'Neill accused the President of "losing touch with reality" and "not realizing the consequences of his program."

Many Americans are particularly disturbed by the huge federal budget deficit, which is planned to reach 98.6 billion dollars in fiscal 1982, 91.5 billion in 1983, 82.9 billion in 1984 and 71.9 billion in 1985. The slight tendency toward a smaller deficit still exists only on paper. On the whole, these colossal budget deficits will unavoidably lead to the rapid growth of the national debt, which, according to official data, will rise from 1.004 trillion dollars in fiscal 1981 to 1.486 trillion in fiscal 1985.¹⁵ Considering the experience of past years, the current trends in the development of the American economy and the state of government finances, we can assume that both the deficit and the increase in the national debt have been considerably understated.

The rapid growth of the deficit is connected with great difficulties in the American economy. Deficits divert capital from productive use and promote a rise in interest rates, which complicates the use of credit by firms and raises the cost of credit. Besides this, large deficits tend to increase the amount of money in circulation and thereby escalate inflation. "As a rule, deficits are ruinous by their very nature," wrote A. Greenspan, formerly the chairman of President Ford's Council of Economic Advisers and now an unofficial White House adviser. "Deficits either deprive non-governmental borrowers of the chance to receive credit or compel the Federal Reserve System to avoid this by pumping more money into the economy, which raises the rate of inflation."

As early as fall 1980, when U.S. military expenditures began to rise at a rapid rate under the pressure of militaristic circles, the Pentagon asked five research firms with experience in economic forecasting to assess the possible effect of the significant growth of military budgets on the national economy. In October 1980 representatives of Data Resources, Wharton Econometric Forecasting Associates, Merrill Lynch Economics, Evans Economics and Chase Econometrics gathered at a special symposium to discuss their findings. They were most disturbed by the possibility that the growth of federal loans might lead to a dramatic increase in interest rates and reduce capital investments in the private sector. They noted that "the real danger of an uncompensated increase in military spending consists less in inflation as such than in the reaction of capital markets to the possible increase in federal budget deficits."¹⁶

The 15 February 1982 issue of NEWSWEEK said that projected deficits were large enough to cast doubts on Reagan's entire economic program. The military program is expected to deal the most severe blow to civilian branches requiring a high scientific input, which are precisely the branches that are expected to promote economic recovery. The problem does not consist only in the extensive rechanneling of materials and skilled personnel from these branches into modern weapons production. The current plans to "rearm America," reinforced by long-term

contracts, will provide strong stimuli for the diversion of capital to military-industrial corporations.

The rising capital requirements of military contractors can limit the credit possibilities of civilian firms considerably. Reduced capital investments by the latter will unavoidably affect production efficiency and will ultimately affect the competitive potential of American goods. This, in turn, will increase the trade deficit.

Therefore, the very logic of economic development will bring the plans for the augmentation of weapons production into conflict with the officially declared intention to modernize American industry. In an obvious attempt to pacify the public, U.S. Secretary of Defense C. Weinberger announced in his report to Congress in February 1982: "The fear that the present administration's military budget will create tension in the American economy is unfounded. In the 1950's and 1960's, when military expenditures accounted for a much larger share of the GNP than they do today, the rate of inflation rose approximately 1-7 percent annually. Economic research has revealed few distinctions between the effects of military and non-military expenditures on inflation."¹⁷

What is the actual state of affairs?

The question of inflation is considered to be one of the most important in connection with the possible effect of Reagan's military program on the national economy. This is due primarily to the conviction of the overwhelming majority of economists that the current inflation is a result of increased military spending during the Vietnam war. In light of this, they have expressed serious worries that the military program will push prices up again.

Government experts maintain that the Vietnam experience is irrelevant in this connection. According to Chairman M. Weidenbaum of the Council of Economic Advisers, the inflationary impact of the augmentation of military efforts at that time was the result of the suddenness and rapidity of this process, as well as the growth of non-military expenditures and the expansive credit and money policy. The dramatic growth of military production created bottlenecks and lowered effectiveness in the military sector. This, in turn, raised prices in the military industry and in civilian branches competing with this industry for materials and skilled manpower. At the same time, the expansive fiscal and credit policy helped to turn the short-term inflationary impact of the dramatic growth of military production into a long-term problem.

In accordance with Reagan's program, M. Weidenbaum went on to say, military production will be expanded gradually and military contractors will be able to make the necessary preparations in advance. Besides this, cuts in non-military expenditures will compensate for the increase in military spending, and the growth of the monetary aggregate and credit is being restricted. All of this, in Weidenbaum's opinion, will make it possible to avoid a protracted inflationary impact.

Another of the arguments put forth by government economists is connected with underloaded production capacities. The defenders of Reagan's military program maintain that the proportion accounted for by military expenditures in the GNP

is too small to stimulate inflation, which is engendered by excessive demand. According to them, the existence of underloaded production capacities guarantees the possibility of satisfying additional military demand without hurting the economy.

This kind of reasoning based on aggregate indicators, however, obviously does not take many extremely important economic processes into account. This is particularly apparent in the changing proportion accounted for by military expenditures in the GNP. It is true that it rose from 7.1 percent in 1965 to 8.8 percent in 1968 during the war in Vietnam, while Reagan's military program envisages a rise, as previously noted, from 5.2 percent in 1980 to 7.4 percent in 1987. At first glance, this proportion seems perceptibly smaller and appears to be growing much more slowly.

The fact is, however, that the structure of the GNP has changed considerably and it now depends much more on the service sphere. On the other hand, there are fundamental differences between the patterns of military spending during the Vietnam war and present patterns. Whereas the buildup of military strength at that time included a sizable increase in personnel, accompanied by larger purchases of food, uniforms and other goods produced by civilian branches, the present military program, as previously noted, emphasizes larger purchases of weapons and combat equipment. Considering this fact, we should regard the proportion accounted for by military purchases in the total output of the processing industry as a more reliable criterion in comparisons of the two periods.

According to the estimates of American economists, the present military program will augment this proportion more than the war in Vietnam. At that time the figure rose from 7.9 percent in 1965 to 10.6 percent in 1968. If the Reagan Administration's plans are carried out, the figure will rise from 5.4 percent in 1980 to 10 percent in 1986.¹⁸ Therefore, the increase in orders for weapons and military equipment will be an extremely rapid one and will make great demands on the processing industry.

Columbia University Professor S. Melman, a renowned American expert on military economic matters, believes that the proportion accounted for by military expenditures in new fixed capital is a more important indicator than their share of the GNP when the influence of military spending on economic development is being assessed. According to his calculations, this proportion was 46 percent in 1977. In other words, arms production absorbs a huge part of the resources designated for capital investments in production and needed for the normal functioning of the economy. For the sake of comparison, S. Melman states that during the same year the indicators for the FRG and Japan were around 18.9 percent and 3.7 percent respectively.¹⁹

Aggregate data on underloaded production capacities also paint an inaccurate picture of the present state of affairs. It is completely obvious that the capacities of subbranches can be loaded virtually to the maximum even when the general level of production capacity use is low. The abovementioned L. Thurow, an economist from the Massachusetts Institute of Technology, noted that an extraordinary combination of boom and depression has been characteristic of the American economy in the last 3 years. While certain states, such as Texas, California, Florida and

Massachusetts, where the production of radioelectronics, computers and other highly technical items is concentrated, are flourishing, other states, primarily in the industrial Northwest with its steel and automotive industries, are in a state of depression.

The distinctive feature of the present situation is that the latest military equipment is produced in the very branches and regions where production growth is now being witnessed and where the shortage of materials, production equipment and skilled manpower is already creating difficulties. Under these conditions, any augmentation of the output of weapons by military-industrial corporations will lead to a fierce competitive struggle for materials and skilled manpower with civilian branches manufacturing highly technical products, and this will stimulate inflation and weaken the firms producing civilian goods.

From this standpoint, the administration's announcement that the increase in arms purchases will quickly load presently underloaded production capacities and reduce unemployment appears to have little basis. This will require the massive rechanneling of resources, retooling of enterprises and retraining of manpower, which would take a long time in itself. Besides this, the measures that are being taken at the present time--the limitation of government intervention in the economy and the reduction of social programs, including vocational training programs--are directly counteracting this.

The resolution of the unemployment problem is also being inhibited by the large-scale rechanneling of resources from labor-intensive social programs to capital-intensive arms production programs. The increase in orders for weapons is intensifying the shortage of some categories of skilled workers without having any effect on most of the jobless Americans.

The administration's plan to expand military research and development could be particularly ruinous over the long range. This sphere, which absorbs two-thirds of all federal funds allocated for research and development, already employs approximately one-third of all American scientists and engineers.²⁰

Throughout the postwar period one of the favorite arguments of apologists for the arms race was the "spin-off"--the "civilian return" on military research and development. The preachers of the "spin-off" maintained that, in an era of technological revolution, "competition in the sphere of weapons" allegedly accelerates technical progress in general. Even now, some economists and politicians in the United States, including Secretary of Defense C. Weinberger, are still alleging that military research and development can stimulate the development of non-military industries. They are deliberately saying nothing, however, about the unavoidable tendency of the accelerated development of military equipment and complexity of its production to remove it further and further from any possible civilian use.

People in the United States are now referring more frequently to the increasing "technological differential" between military equipment and goods produced in non-military branches. This "differential" is most clearly reflected in the excessively high and still rising cost of new weapon systems and in their lengthier production process. Military research and development projects conducted in the

United States for the purpose of maximizing the tactical and technical properties of weapon systems do not promote, regardless of their cost, the development of products with competitive potential in non-military branches. On the other hand, Japanese firms which expanded civilian research and development were able to reduce the production cost of television sets, stereos and videocassette recorders and, according to some American economists, they will dominate the production of computers for civilian use by the end of the current decade.

In addition to the diminishing "spin-off," there has been a tendency toward the broader use of scientific and technical achievements in the civilian sphere for military purposes. What is more, the U.S. Department of Defense is also trying to use the technical innovations of other countries in its own interest. According to reports in the press, the Japanese Government agreed to the use of its modern technology for U.S. military purposes. It has been reported that the Americans are already using Japanese technological innovations in the development of several new types of combat equipment, including the new M-1 tank.

IV

President Reagan's program clearly demonstrates that military problems are more closely connected with political and economic problems under present conditions. It is already apparent that the economic consequences of the program will be extremely deep and multifaceted. At best, the program could only alleviate a few economic contradictions while exacerbating many others and giving rise to even more acute new ones.

Reagan's military-economic policy, just as "Reaganomics" in general, is based on unrealistic assumptions and is full of internal contradictions. The plan to simultaneously increase military spending dramatically and cut taxes is already casting doubts on the possibility of attaining the administration's present goal--a balanced federal budget by fiscal year 1984. Budget deficits are still present and, as noted above, are even growing quickly, and during the 4 years of President Reagan's term in office, even according to understated official estimates, they will total 345 billion dollars.²¹

Experience tells us that there is absolutely no foundation for the assumption that a dramatic increase in military orders will create a boom in the military industry that will stimulate overall economic growth and promote economic "recovery." What is more, the planned colossal unproductive military expenditures will ultimately lead to the rapid growth of the negative socioeconomic consequences of the arms race.

The main force standing behind Reagan's military program is the military-industrial complex, whose positions are being strengthened considerably. It is extremely indicative that the largest industrial power, which has recently suffered serious economic difficulties and is gradually losing its economic positions in the world, has turned to militarism with the aim of economic "recovery." This kind of "recovery" will be accomplished primarily at the expense of underprivileged population strata. In this respect, the new U.S. military program is not only a major military-economic action by present-day capitalism, but also a serious economic crime against the American people. Its negative socioeconomic consequences will affect the lives of several generations of Americans.

Reagan's military program is connected with significant changes in the priorities of federal allocations to the detriment of social programs. In just the first year of the Republican Administration these programs were cut by 25 billion dollars.²² The draft federal budget for fiscal year 1983 indicates that military appropriations will be increased sharply with a simultaneous considerable reduction in expenditures for socioeconomic needs, which will be cut by 27 billion dollars in fiscal 1983. This will harm low-income strata the most.

The international economic consequences of the present American military program are equally important. After inordinately increasing its own "defense" expenditures, Washington has persistently demanded the same kind of steps from its partners in military-political blocs. The unbridled buildup of U.S. military strength is compelling the Soviet Union and other socialist countries to take retaliatory steps, diverting significant resources from peaceful, constructive use. The escalation of the arms race by American imperialism is having a serious destabilizing effect on international economic relations.

It must be said that the United States has always had an opportunity to accomplish disarmament on a mutual basis and with a view to the security interests of both sides. As a rule, however, temporary considerations have gained the upper hand in Washington. The United States and other NATO countries have rejected the Soviet Government's proposals on the conclusion of a peace pact by the five great powers (1949) and a non-aggression pact between the NATO and Warsaw Pact countries (1958), and the proposals of the Warsaw Pact states on the avoidance of the use of force in international affairs (1978) and no first use of nuclear or conventional weapons (1980). The United States has rejected the Soviet proposals to ban neutron and chemical weapons and the development of new missile submarines (of the "Ohio" type in the United States and similar types in the USSR). It has unilaterally broken off talks on such important issues as a universal and total nuclear test ban, the prohibition and elimination of chemical weapons, the limitation and subsequent reduction of military activity in the Indian Ocean, the limitation of conventional arms sales and deliveries, antisatellite systems and others.

The more reckless--in the political, economic and military respects--the actions of the American Administration and the reactionary circles supporting it in other capitalist states become, the more vigorously they will be opposed by the world public acting in defense of peace, detente and disarmament. There is growing awareness that the adventuristic foreign policy and military program of the Reagan Administration are obviously contrary to the interests of Americans and other people in the world.

FOOTNOTES

6. DEFENSE DAILY, 23 October 1981, p 251.
7. Ibid., 22 October 1981, p 247.
8. "The Defense Buildup and the Economy. The Joint Economic Committee of the Congress of the United States, February 17, 1982," Washington, 1982, p 24.

9. NATIONAL JOURNAL, 12 December 1981, p 2192.
10. DEFENSE DAILY, 23 October 1981, p 250.
11. UN Document "Study on the Relationship Between Disarmament and Development" A/36/356, 5 October 1981, p 85.
12. NATO'S FIFTEEN NATIONS, December 1981-January 1982, pp 41-42.
13. Ibid., p 42.
14. "The Budget of the United States Government. Fiscal Year 1983," p II-10.
15. Ibid., p IX-60.
16. Quoted in: THE BULLETIN OF THE ATOMIC SCIENTISTS, October 1981, p 19.
17. "Report of Secretary of Defense Casper W. Weinberger to the Congress on the FY 1983 Budget, FY 1984 Authorization Report and FY 1983-1987 Defense Programs," Washington, 8 February 1982, p I-9.
18. NATO'S FIFTEEN NATIONS, December 1981-January 1982, p 40.
19. THE NATION, 9 May 1981, pp 568-569.
20. MONTHLY REVIEW, November 1981, p 18.
21. Calculated according to: "The Budget of the United States Government. Fiscal Year 1983," p IX-60.
22. U.S. NEWS AND WORLD REPORT, 25 January 1982, p 24.

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SPEECH BY IMEMO OFFICIAL TO UN SPECIAL SESSION ON DISARMAMENT

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 8, Aug 82
(signed to press 23 Jul 82) pp 76-79

[Speech presented by Professor O. N. Bykov, deputy director of the Institute of World Economics and International Relations, USSR Academy of Sciences, and doctor of historical sciences, at the Second Special Session of the UN General Assembly on Disarmament]

[Text] Questions of primary and paramount importance will be discussed at the Second Special Session of the UN General Assembly on Disarmament. Indeed, there are no objectives that are more important today than the cessation of the arms race and the accomplishment of real disarmament. The present world situation is not only extraordinary but unique. It is unparalleled in history because the use of nuclear weapons now would lead to destruction and annihilation on an unprecedented scale. In the past, the outcome of armed conflicts, even the most massive and bloody, determined the fate of only certain countries and peoples. In the nuclear era the survival of the human race itself is threatened.

Just as all conscientious scholars throughout the world, Soviet researchers are telling people the grim truth about the lethal threat hanging over mankind--the truth about nuclear war and its catastrophic consequences.

The weapons of colossal destructive force that have been engendered by the technological revolution have turned out to be much too strong for their purpose. Given the present correlation of forces in the world, they cannot be used as a means of solving acute international problems or as a way of reinforcing the ideological "crusades" launched by one state or group of states against the countries of another social system. Whatever goals the initiator of a nuclear war might be pursuing, they will be unattainable because there can be no winners in this kind of war. Any use of a weapon of mass destruction will set off truly global upheavals.

The 1970's conclusively proved that reciprocal efforts by states can effectively inhibit the development of the baneful tendency that is threatening mankind with unprecedented disasters. Political detente and arms limitation agreements reduce the threat of a nuclear world war. In recent years, however, the international situation has become more complex. Tension has increased, the arms race has been escalated and is acquiring broader dimensions, and the danger of war is strong once again.

What are the reasons for this process? Has there been a change in the objective conditions that made the prevention of a worldwide nuclear conflagration necessary and possible?

An objective analysis proves that this could not and did not happen. The central link of the world correlation of forces--the global military-strategic balance--has not changed. Despite the accumulation and improvement of weapons and the structural differences in military strength, the overall balance of forces is the same as it was in the 1970's. The balance still exists on the Soviet-American strategic level and on the NATO-Warsaw Pact level. The approximate equality of the military forces of the two world systems is a fundamental, qualitative phenomenon. It actually means that the first nuclear strike will unavoidably be followed by a crushing retaliatory attack. Given the comparable economic, scientific and technical capabilities of the opposing sides, this situation is essentially irreversible.

The intentions and actions of the two sides, which are capable of affecting the future strategic situation, are another matter. Although attempts to tip the balance in one's own favor are obviously futile, they can seriously destabilize the international situation and increase the danger of nuclear conflict.

The Soviet Union's position is quite clear: It has never aspired to military superiority. It has never wanted to threaten any state or group of states. In his message to the Second special session, L. I. Brezhnev stated that the Soviet Union would pledge not to use nuclear weapons first.

The U.S. leaders, judging by their official statements and concrete actions, adhere to a different position. The massive buildup of American military strength is combined with a strategy geared to the first use of nuclear weapons--either in a general confrontation or in a "limited" conflict, which will be the inevitable prelude to a world war. This kind of arms buildup and development of strategic concepts attest only to a desire for military superiority to the Soviet Union. This is as unrealistic as it is dangerous. The country that chooses confrontation and attempts to achieve military superiority in our time is placing its own narrow interests above the interests of worldwide security.

Nuclear war must be made illegal. This is the conviction of the overwhelming majority of states belonging to the United Nations, and this is eloquently attested to by the UN General Assembly's Declaration on the Prevention of Nuclear Catastrophe, which solemnly declares that the states and statesmen who first resort to the use of nuclear weapons are committing an extremely serious crime against mankind. If the Soviet Union's refusal to use nuclear weapons first is followed by the assumption of similar commitments by other nuclear powers, this will be tantamount to a general ban on the use of nuclear weapons.

Disarmament is a particularly urgent objective in our time. Negotiations are not keeping up with the development of military equipment. The new types of weapons that are being developed could make arms control extremely difficult or even impossible. Immediate advances must be made in the limitation and reduction of weapons. The soil for this has been prepared. A colossal amount of research has been conducted, including UN studies, and this provides a solid scientific and

technical base for the drafting of agreements. A great deal of practical experience has been accumulated in the elaboration of mutually acceptable ways of lowering the level of military confrontation without endangering the security of either side. Realistic approaches to the drafting of agreements, which take all quantitative and qualitative elements of the mutually balanced military capabilities of the two sides into account in spite of their existing differences, have proved effective. The optimal combination of measures to limit and reduce weapons and ways of overseeing the implementation of these measures, in which the nature and dimensions of the necessary inspections depend on the nature and dimensions of the specific measures, has been found.

The powerful acceleration of the arms limitation and reduction process will necessitate the political willingness of all states to work toward the preservation and consolidation of international security.

The Soviet Union and the countries of the socialist community have consistently and constantly wanted to curb the arms race and prevent a nuclear catastrophe. For them, these are not temporary diplomatic or propaganda actions, dictated by temporary considerations or the desire to express their love of peace in words, but the very essence of the socialist policy of peace and disarmament. This is the focal point of the Program of Peace for the 1980's, which was adopted by the 26th CPSU Congress, and the series of constructive initiatives put forth by the Soviet Union and other socialist countries in recent years, and even at the present session. They make up a broad group of specific proposals covering all spheres of arms limitation and reduction and disarmament.

When the USSR and the other countries of the socialist community put forth their proposals on arms limitation and reduction, they are not trying to monopolize this field. They are prepared to cooperate with any state and to give the views of the other side their unbiased consideration. What is important is not the source of ideas, but the degree to which they can further the agreement process. The decisive criterion here is not an abstract love of peace, and certainly not expressions of this love that are made only for show, but an honest and business-like approach to the search for the common solution needed for the prevention of a nuclear catastrophe. It is not enough to consent to talk. The other side must respond with its own constructive proposals to further the agreement process.

The arms avalanche must be stopped on all sides. There is one side, however, on which the most energetic and immediate efforts must be taken to stop and reverse the unbridled buildup of the most destructive type of weapons--nuclear weapons. This is obviously the paramount objective. Nuclear weapons have become the backbone of present-day military power. They represent the decisive striking force, both on the strategic and on the operational-tactical levels. The use of these weapons in any armed conflict, even the most limited and localized one, will inevitably turn it into an annihilating world war.

The material base of wars involving the use of weapons of mass destruction must be gradually dismantled. Nuclear weapons must be countered with nuclear disarmament. The approach to this exceedingly important task will be all the more effective if it is sweeping and purposeful. Common sense tells us that Soviet and U.S. strategic weapons must be frozen for the duration of the ongoing talks. This

measure, which is important in itself, would facilitate the advancement toward the radical limitation and reduction of nuclear arms. In accordance with the principle of equality and equivalent security, the current levels of strategic weapons and medium-range nuclear missiles in Europe can and must be lowered consistently. The complete liquidation of all nuclear arsenals must be the final goal.

Such measures as the universal and total nuclear test ban, the ban on neutron and radiological weapons, the offer of security guarantees to non-nuclear countries, the non-deployment of nuclear weapons within the states where they are not located at the present time, and the creation of nuclear-free zones in various parts of the world can help a great deal in the accomplishment of nuclear disarmament.

Another extremely important problem must also be solved--the prohibition and elimination of chemical weapons. There is not and cannot be any reason for a state to keep these weapons of mass destruction in its arsenal. A ban on the development, production and accumulation of chemical weapons and the complete elimination of these weapons could save millions and millions of lives.

The elimination of the most lethal weapons must naturally be combined with the limitation and reduction of conventional weapons. The process of disarmament must cover all spheres of military activity--land, air, seas and oceans. Of course, it is also important to keep the arms race from spreading to such spheres as the depths of the world ocean and outer space.

The Second Special Session of the UN General Assembly on Disarmament must promote decisive action to deliver mankind from the excessive burden of armaments and the lethal danger of nuclear war. The moral authority of the forum of representatives of the international community can serve as an important factor in the maximization of all efforts to conclude ongoing talks, resume talks that have been cut off and begin new talks on the entire range of questions connected with arms limitation and reduction and disarmament.

Soviet researchers of the problems of peace and disarmament join in conveying the good wishes addressed to the participants of the second special session by the peace-loving public and wish them success in carrying out their exceptionally crucial mission for the consolidation of world peace.

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DEVELOPING COUNTRIES IN . . . POLITICAL STRUCTURE OF TODAY'S WORLD

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 82
(signed to press 23 Jul 82) pp 80-91

[Article by I. Zorina]

[Text] Political decolonization, which was virtually complete by the beginning of the 1980's, has not only changed the map of the world considerably but has also done much to establish new patterns of international relations. For the first time in mankind's history, these relations are taking on a universal nature and are beginning to take the form of a truly worldwide system, ushering in the era of truly worldwide history in corroboration of K. Marx' well-known prediction.¹

The appearance of new states on the stage of world politics has raised a number of questions. The answers to them will be important not only on the theoretical level but also from the standpoint of actual politics. How valid is the view of the developing world as an international political community of states and to what degree have this community and its individual members become fully fledged subjects of world politics? What outlines is the international political structure of the developing world taken on, and where do the lines of demarcation and differentiation run? Finally, how can the developing countries make a positive contribution to international relations--that is, can they help to consolidate peace, democratize economic and political systems and bring about social progress?

Results of Political Decolonization

The first and most apparent result of the collapse of imperialism's colonial system was the significant increase in the number of participants in international relations. The number of independent states increased 2.4-fold between 1940 and 1981. Approximately three-fourths of them are developing countries with a population which exceeded 2.1 billion in 1981 and represents half of the world population.² Therefore, colossal changes have taken place in the very geography of international politics.

These changes, however, have not been confined to quantitative indicators. All of the conditions of the present era, especially the competition and struggle between the two social systems, have created favorable opportunities for a more active foreign policy role for all of the developing states: both those that have recently escaped colonial dependence and those with a solid historical tradition of

independent government.³ There has been a significant increase in the number of centers in which important international political decisions can be made, and are being made with increasing frequency, and these centers are now located on all continents.

The expanding geographic boundaries of the system of international relations are reflected with particular clarity in the composition of the United Nations. When this organization was created in 1945, its members included only 19 developing countries in Latin America, 8 in Asia and 3 in Africa, and even as a group these 30 states did not play an independent role in the United Nations (they were more likely to act as part of the pro-Western automatic majority). The situation was already changing, however, by the beginning of the 1960's. After the 15th session of the General Assembly, at which time the young African states joined the United Nations en masse, anticolonial forces, including representatives of the socialist and developing countries, first gained an absolute majority, and by the beginning of the 1970's they had a qualified majority of two-thirds of the vote. Representatives of developing countries now occupy 39 percent of the UN administrative offices, including 42 percent of the highest positions.⁴

The inclusion of the newly liberated states in international politics, which naturally began through UN channels, was not a smooth process. The rapid increase in the number of participating countries with the observance of the "one nation--one vote" principle testified that this organization was becoming a more representative and universal international forum. Of course, the impact of UN operations has not depended only on membership dynamics, but primarily on the performance of major charter tasks. One such task--the political decolonization of the world--was accomplished in the 1960's and 1970's largely as a result of the new correlation of forces in the United Nations, which, in turn, reflected the qualitative change in the world correlation of forces--the consolidation of socialism's positions and its effective support of the national liberation movement.

By the beginning of the 1980's almost all of the people in the developing world had their own governments, and the status of the new sovereign states was recognized and reinforced in the international system. However, the establishment of the developing world as an independent political force, capable of affecting international politics to some degree, took much longer. It had its ups and downs and is still a contradictory and complex process. Nevertheless, the appearance of more than 100 states on the international stage, states which view themselves as a community in counterbalance to the centers of present-day capitalism, has brought about substantial changes in the political structure of the world and in the concrete work of major international organizations.

In the developed capitalist states (especially the United States), demands were made for a revised attitude toward the United Nations, where the socialist and developing states had achieved the adoption of several general declarations and resolutions on specific issues of an anti-imperialist nature. Rumors were spread about the "arithmetical domination of the United Nations by the developing countries" and about the "danger of their tyranny." Proposals were made regarding "UN membership criteria," which would stipulate a minimum population figure, and "proportional membership"--according to the size of contributions to the organization's budget. Some American senators even demanded that the United States

withdraw from the United Nations and that the headquarters of this organization be removed from American territory.

Conservative Western political scientists, primarily in the United States, insisted on an intransigent response to the demands of the developing countries. Their arguments were simple: the developing countries were hopelessly backward and would continue to lag behind; they faced the unenviable prospect of remaining the poor periphery and playing only a secondary role in international affairs; any significant world problems would continue to be solved within the sphere of interrelations among industrial powers. Renowned American political scientist R. Tucker defined the future of international relations as "inequality." "The radical change of the international system on the basis of equality is a utopian dream," and even "its moderate transformation in the direction of more equality will lead to mounting confusion in international affairs."⁵

Nevertheless, people in the capitalist states were also realizing that confrontation with the developing world was futile and could even threaten the future of the bourgeois countries. Concepts which portrayed a confrontation between the poor South and rich North (in which the socialist states were included along with the developed capitalist countries for no valid reason whatsoever) as the prevailing tendency in the changing political structure of the world became popular. It was predicted that the increasingly acute "North-South" conflict would relegate the confrontation between the two world systems ("East-West") to a position of secondary importance and would become the main factor determining the state of mankind. In the works of some authors, the threat posed to the survival of the "northern" civilization by the "South," which is incapable of solving its own internal social and economic problems and is therefore striving to find external solutions at the expense of the "North," began to take on a clearly apocalyptic tone.⁶

The concepts acknowledging the irreversibility of the changes taking place on the periphery of the world capitalist economy have given rise to various alternative strategies. One of them was formulated, for example, by the authors of the annual report of the Overseas Development Council (United States), who concluded that interdependence is growing more pronounced in the world, particularly as a result of the augmentation of the role of developing countries, that the resolution of all global problems will be connected in one way or another with this, and that the developing countries should therefore be party to the decisionmaking process in international affairs while they are being aided in their economic development.⁷ Willy Brandt's commission came to similar conclusions in its famous report.⁸ These acknowledgments, however, have been accompanied by attempts by the Western powers to take advantage of the objective increase in centrifugal forces in the developing world and to single out the most suitable partners. Many Western researchers and politicians are inclined to view the group of developing states only as a sphere of international politics in which new regional "power centers" are maturing.⁹

This broad range of approaches and assessments reflects, even if in a distorted form, some of the real issues the developing world has raised in the international community. The main one is the factors, distinctive features and boundaries of the international political community of the developing countries.

The Developing World as an International Political Community

The community of the developing countries can be viewed on two interrelated but different levels: the degree of their unity in the struggle for their economic and political interests and the degree of similarity in their basic characteristics. Obviously the force of centripetal tendencies in the developing world in the future will depend largely on the strength and importance of the common characteristics of all the countries in the developing world.

The resolution of this problem can aid in the determination of the political boundaries of the developing world. The fact is that a purely empirical approach prevails in scientific literature, and this approach categorizes all countries that are neither socialist nor developed capitalist states as developing countries. This approach reflects the membership structure of the United Nations, where no formal criteria have been worked out to determine the boundaries of the developing world. This naturally gives rise to a question: Can the huge and diverse group of developing countries be regarded as a separate and independent subsystem of international relations? Or, in other words, what are the scientific grounds for the current tripartite division of the world into socialist, capitalist and developing countries?

In spite of all the internal differences in the group of developing countries--economic, sociocultural and political-ideological--most of them have (and remember) a common, more or less recent colonial or semicolonial past. Many of them went through a stage of liberation struggle during different periods of their history and are only now growing accustomed to involvement in world politics. Virtually all of them are distinguished by an increasing awareness of their place in today's world, a search for their unique features and the defense of these features, as well as their own sociocultural values and national awareness, and the attempt to overcome their centuries-old beliefs in the "inferiority" of the colonial peoples and their inability to make their own history. The significance of the sociopolitical and sociopsychological factors is growing.

The developing countries cannot be regarded as some kind of single entity, however, on the basis of the "retrospective" criterion--that is, their past position in the colonial or semicolonial community imposed upon them--or only on the basis of their "intermediate" position between the two social systems in today's world.

If we disregard the coalitions based on more or less short-range goals and interests (although these can be extremely important), and concentrate on a stable political community, we must determine the precise criteria of membership in this community, with a view to today and not yesterday, and with consideration, but not to an excessive degree, of the connection between the past and the present and of the revolutionary changes that have taken place on the periphery of the world capitalist economy. Here we learn first of all that the developing countries cannot be united on the basis of structural characteristics, as the developed capitalist or socialist countries can, because they represent a broad range of diverse economic and social-class structures.

Existing social-class differences have been increasingly apparent in the developing countries, particularly with regard to specific questions of international politics. Furthermore, there is a long-range tendency toward the "erosion" of the developing

world: The countries of socialist development are converging with the world socialist system, and the countries of capitalist development are converging with the group of developed capitalist states. Even with a view to this increasingly pronounced social-class differentiation in the developing world, however, we must admit that the single structural criterion used in the classification of the communities making up the two world systems is not always applicable to many developing countries or is at least debatable.

Discussions in our scientific literature about the socioeconomic criteria of membership in the developing world revealed three basic positions. Two of them are connected with the attempt to single out one main criterion and several lesser characteristics. For several renowned Orientologists this criterion is "multistructural stability,"¹⁰ and for many other specialists in the USSR and other socialist countries the criterion is dependence, or (in its most thoroughly elaborated version) the "dependent type of development,"¹¹ which determines the basic features of the developing society. Their opponents, who deny the possibility of singling out one general criterion, defend the multistandard approach--that is, the consideration of many criteria--and propose various groups of characteristics of equal importance.¹²

We regard this latter position as the most acceptable point of departure for studies of the international political community of the developing countries. It is true that the level and nature of the development of their productive forces, their internal economic and international relations and the peculiarities of their social structures, which cover--we repeat--a broad range and exist in a variety of combinations, can only characterize the developing countries as a socioeconomic community and indicate its boundaries if the entire group of these features is taken into account. Furthermore, although the international political community of the developing countries depends largely on these characteristics, it cannot be confined to them. The boundaries of the two communities and their membership do not coincide completely.

Within our area of investigation, the most important features are the following:

The group of relatively similar, objectively necessary and long-range objectives of national development, which can be attained through foreign policy channels and only as a group (the consolidation of national sovereignty, the guarantee of the most favorable foreign economic and foreign political conditions for development, the eradication of underdevelopment, etc.);

The continuing and increasingly complex dependence of the developing countries on the developed capitalist states in general and on the main imperialist "power centers" and multinational corporations in particular, which is standing in the way of these objectives and is equalizing the status of all or most of the developing countries;

Their intermediate position between the two world systems and their ability to rely on the socialist world for aid and support.

Therefore, the group of problems connected with underdevelopment and dependence, the need to overcome them and the means of overcoming them play an important role in strengthening ties within the developing world and, in general, give rise to

common features in the foreign policy actions of the states in this world (regardless of the differences in their political regimes), reveal the sources, content and boundaries of their political unity within the sphere of international relations and constantly nurture the basic trend in their foreign policy--the increasing desire for independent action. We could probably say that the problem of overcoming dependence and underdevelopment and winning the right to participate in world politics as an equal and independent subject of relations is the main determinant of the political community of the developing world as a whole.

We will try to determine the common foreign policy demands and interests that unite all (or almost all) of the developing countries, which differ so much from one another in terms of their levels of development and the nature of their political regimes:

The protection of national interests and national sovereignty, including sovereignty over natural resources, and the protection of the right to make separate and independent foreign policy decisions;

The struggle for equality in international relations and for a new international economic order;

The desire of the majority of developing countries to put an end to their previous isolation from world politics, to belong to international organizations and to establish broader contacts with the world socialist system;

The related need for political and intergovernmental unity and the development of "collective diplomacy."

Of course, these demands are not characteristic only of the developing countries, but they are assigned primary significance in their policy. The need to defend their common interests is motivating the developing countries to act as a group within the international community for the purpose of real influence in the decisionmaking process in world economics and politics. The international relations of the developing countries are no longer confined to the developed capitalist states, but are part of a more complex, global political system and, what is particularly important, these countries are establishing broader contacts with the socialist world. Consequently, the relative influence of the group of developing countries as an agent of international relations is greater than the influence stemming from a purely quantitative correlation of economic or military strength between them and the centers of world capitalism.

The tendency of individual countries to converge with the world socialist system is growing stronger in various parts of the developing world, and some states (for example, Cuba, Vietnam and Laos) have already made this transition, even though these states still have some peculiar historical features that cannot be overcome quickly.

Therefore, the developing world plays a unique role in international politics. The developing countries are situated on at least two different levels, participating in global world affairs not only as part of the capitalist system but also directly,

and they represent only a relatively stable and uniform community, which will probably become less and less distinct in the future. Since the transitional stage of socioeconomic development will apparently be a long one, at least for the majority of these countries, the further complication of the world's overall international political structure is inevitable, as is the diversity and initial "unpredictability" of the developmental paths of individual states in Asia, Africa and Latin America.

The uniformity of these important characteristics (although they cover an extremely broad range) is only one of the central prerequisites for the formation of the international political community of developing countries. The forms of their future political activity and united action are extremely important. The most general foreign political interests of the developing countries are expressed by the movement for nonalignment and, on a more limited, foreign economic scale, by the "group of 77." Although the mechanisms worked out by both of these political associations for the implementation of their demands and decisions are not effective enough, they are nevertheless already operating on the global level of intergovernmental relations and are interacting as a separate political force with both of the main systems.

Of course, this does not change the fundamental characteristic of the political structure of today's world--its division into two opposing social systems on the basis of social-class considerations, it does not validate speculations about the "North-South" topic and it obviously does not even create a third "pole," equivalent to the two main ones, in world politics.¹³ It does, however, seriously complicate the structure of the world and raise a number of new issues.

Because the developing states have differing structures and are influenced by opposing social systems, their international political community cannot rest on a consistent, integral and internally uncontradictory ideological concept. However, since the role of ideology in today's world is growing more important in general, and for the developing countries it compensates for the shortage of other forms of internal and international integration, the need for ideological substantiation of their unity is generally quite great. In the absence of a prevailing class ideology in many countries, nationalism in its various forms plays the role of this common denominator. The similarity of development problems that must be solved gives the nationalism of the newly liberated world new quality, internationalizing it in some sense and making it a collective weapon in the foreign economic and foreign political struggle of the entire group of developing countries.

The ideals of nationalism affect the foreign policy of the developing countries in different ways. On the one hand, in its "collective" form and as a derivative of the anti-imperialist struggle, it leads to an awareness of their community of interests, radicalizes the demands of the developing countries and strengthens their position, which sometimes--in conjunction with socialist diplomacy--leads to important, principled and balanced decisions on the international level.

The most characteristic examples are the program for the new international economic order, the charter of the economic rights and obligations of states and the much more active talks on the reorganization of international economic relations on a fair and democratic basis.

On the other hand, nationalism, including its "collective" form, also has other inherent features and avenues of evolution, in connection with which the founders of Marxism-Leninism issued several warnings about the need for its concrete historical assessment. In a number of cases, even when it has remained the common denominator of broad social currents, nationalism has become the political weapon of only the national bourgeoisie or the bureaucratic, technocratic, military or other elite. It often becomes saturated with the dogmas of the dominant religion, which might make it more militant but also makes it less socially positive. On the national, regional and international levels it sometimes leads to the proposal of "alternative models" of development and demands that are obsolete, unjustified or even utopian. This frequently confuses the movement, forces it to struggle for unattainable goals and divests changes of their progressive social aims.

For example, after rejecting "Westernization" and looking into their own history for grounds to defend the uniqueness of their own culture, several leaders of developing countries have seen an escape from the accumulation of contemporary problems in a return to earlier, already obsolete methods of production and distribution and lifestyles and have idealized socioethnic (for example, Negritude) or theological (Islam) values.

Although we highly appreciate the progressive features of the nationalism (including its "collective" form) of the oppressed peoples and its anti-imperialist potential, we must not forget that some neotraditionalists and "equalizing" movements in the developing countries are pushing these countries beyond the hardly noticeable boundary behind which the solidarity of the exploited countries turns into spontaneous isolation and portrays these countries as the objects of exploitation by non-exploitative forces. This isolates the national liberation movement from its natural allies and divests the struggle against neocolonialism of its accurate social aims.

From the Object to the Subject of International Politics

The increasing independence of the developing countries in the pursuit of their foreign policy is an indisputable fact. A question arises, however: To what degree and in what forms have these countries become the subjects of, or equal participants in, world politics? The answer to this question, in our opinion, must be sought with the aid of the following necessary (although perhaps inadequate) criteria: 1) the recognition of one's own interests in general and specific international political issues, 2) the ability to defend and establish these interests in a more or less complete form, and 3) the ability to influence decisions on global issues in world politics with a view to one's own development interests.

A balanced assessment of the actual role played by the developing world as a new factor in world economics and politics requires an analysis of all the changes taking place in the world, particularly since the process by which the developing world is becoming a subject of international politics is still far from complete and has been quite contradictory. There are several distinct stages in this development.

Independent foreign policy action can be accomplished by many developing countries primarily through the choice of a socialist orientation and reliance on the world socialist system. Another important factor is the collective participation of the

developing countries in the discussion and resolution of the particular international problems that directly concern their common interests. This participation is accomplished mainly on the level of broad associations of all the developing countries, such as the movement for nonalignment and the "group of 77," and in joint statements by these countries in the United Nations and other international organizations. The fact that the possibility of successful actions by the developing countries exists and has shown a tendency to grow stronger is attested to by the history of the past two decades and, in particular by certain achievements in the struggle of the developing states for the new international economic order, the ability they have displayed in several cases to collectively oppose imperialist authoritarian demands and to influence UN socioeconomic activity, etc.

The active involvement of the developing countries in international politics is accomplished through various regional and other intergovernmental associations of these countries, their own international organizations, such as the OAU, etc. Here the foreign policy potential of the majority of developing states and their united efforts are often utilized in the interests of individual groups of countries.

The developing countries also achieve more independence in international politics through the differentiation of the newly liberated world and the ability of some countries to emerge from this world, such as the largest states, those with unique resources or the most highly developed states, which are quickly achieving capitalist modernization. Some of them will obviously be eligible in the future for membership in the "club of developed capitalist countries," which are still setting most of the rules of international politics in the non-socialist part of the world. Although these states are pursuing their own interests, which do not always coincide with the interests of other countries, they are also striving to speak on behalf of the entire developing world and are attaining various levels of independence in the sphere of international politics. This leads us to the question of the internal differentiation of the developing world in terms of status in world political relations and foreign policy aims.

The International Political Structure of the Developing World

Differences in the degree of independence with which the developing countries make and conduct their foreign policy are important, but they are not the only criterion of the differentiation of their roles in international politics. In the international arena the developing countries occupy a variety of conditions, resembling a world with various global and regional political centers. This is due primarily to the distinctive features of the developing countries.

Even if we disregard all socioeconomic and world economic aspects, we can still find a number of factors, primarily of a subjective nature, which determine the greater independence of substates, particularly in the foreign policy sphere.

It would be difficult to find a system of classification according to foreign policy criteria that would take in all of the developing countries. The different foreign policy aims of the developing countries, due to their variability, mobility and interaction, can best be portrayed in the form of tendencies that are more or less characteristic of the policy of certain countries than in the form of groups with a fixed composition.

We will try to single out the basic tendencies with the aid of three interrelated criteria: attitude toward the two world systems, attitude toward the rest of the developing countries and the degree of subjectivity and independence in international relations. Foreign policy actions mainly reflect the general social orientation, and this is why the international political picture of the developing world portrays pronounced polarization around the two opposing systems. However, foreign policy and general social orientation do not always coincide (particularly when the latter is expressed in contradictory and incomplete forms).

The development of the national liberation movement in the centers of its greatest activity led to the formation of groups of countries with a socialist orientation. It would be difficult to determine the exact boundaries of this political community in the developing world because the process is still incomplete. The vanguard of the progressive forces in the developing world consists of such countries as Cuba, Vietnam and Laos, which generally take an active part in the joint endeavors of the developing countries in the international arena and in their organizations.¹⁴ They are also part of the world socialist system and are striving to attain national economic objectives, largely identical to the objectives of the developing countries, by means of socialist construction. The foreign policy of these countries and the already large group of states with a socialist orientation (Ethiopia, Angola, Mozambique, the PDRY, the Congo, Algeria and others) is consistently anti-imperialist and virtually coincides in all major areas with the policy of the other socialist countries.

It is more difficult to single out basic categories at the capitalist-oriented pole of the developing world. The countries located here or approaching this pole are influenced to some degree by the West in matters of international politics, and some of them still have a special relationship (although it is sometimes only formal) with their former mother countries, which is naturally reflected in their positions on international problems.

Nevertheless, even the countries developing along capitalist channels represent a fairly complex spectrum of foreign policy positions. The diversity of the ideological and political premises and aims of ruling groups in the developing countries and the significant differences in their economic, demographic and military potential and in their relations with the former mother countries are the reason for the variety of foreign policy positions occupied by the developing states and the differing types of relations between them and their imperialist centers. Despite all of their foreign policy uncertainty, zigzags and sudden reversals, some basic foreign policy lines have taken shape here in recent decades.

For example, some of the states in the huge group of countries taking the capitalist road of development are already clearly recognized as states taking an anti-imperialist position in international affairs. These are India in South Asia, Mexico and Venezuela in Latin America, Nigeria in Africa and several other states. These countries, which have fairly impressive economic and demographic potential, and in some cases even a relatively high level of development, are trying to expand their own economic and international political influence in their regions (Mexico in Central America and the Caribbean, and India in South and Southeast Asia). In international organizations, they generally take an active stand in

support of the just anti-imperialist demands of the developing countries as a whole and have acquired a great deal of moral and political prestige.

India warrants special discussion as a great Asian state. After waging a long and persistent struggle for independence, India presided at the cradle of the non-aligned movement and has pursued a balanced and even foreign policy line with the aim of stable relations on the subcontinent. It was one of the first to repulse Beijing hegemonism and oppose U.S. political pressure, despite its broad economic ties with the West. India has a stable and friendly relationship with the USSR, which has developed within the framework of a treaty on peace, friendship and cooperation since 1971. India has maintained active contacts with socialist Vietnam, was one of the first to recognize the new government of people's Kampuchea and has taken a balanced positive stand on the Afghan question. "We applaud the growing role of this power in international affairs," L. I. Brezhnev said at the 26th CPSU Congress. "Our ties with India will continue to be strengthened. Soviet-Indian friendship has become an established public tradition in both of our countries."

At the other end of the spectrum we find the states and territories whose ruling circles associate their future closely with imperialism, especially the United States, and have turned into its loyal (and obedient) allies. These are Chile, (after 1973), Paraguay, El Salvador, Honduras, Guatemala and South Korea. The foreign policy of the ruling circles of these countries and territories is not complicated: It is based on virtually unconditional support of the policy of imperialist centers in exchange for their patronage and assistance, including economic and military aid. They are hostile toward the socialist states. It is precisely due to this intransigent position and excessively obvious subservient role, however, that they do not have any significant influence in the developing world or in international politics.

A more important role is played by other countries and regimes which imperialism is trying to use as promoters of its schismatic strategy in various regions of the developing world by generously supplying them with financial and military aid. For example, after the conclusion of the Camp David agreement (and as a result of the total degeneration of the regime), Sadat's Egypt contributed much to the pursuit of American policy in the Middle East, which naturally brought about its isolation in the Arab world.

The United States has assigned the same kind of role to Pakistan on the Indian subcontinent. By openly nurturing Zia-ul-Haq's dictatorial regime and encouraging his efforts to militarize the country, the United States has already turned it into a bridgehead of undeclared war against revolutionary Afghanistan and is trying to turn it into a permanent and dangerously aggressive counterbalance to India.

At the same time, as a result of the uneven socioeconomic development of some developing countries and the complex dynamics of foreign policy processes in various regions (and subregions) of the developing world, some countries are aspiring to the role of leader in their regions. Their foreign policy is of a more complex nature. Although the socioeconomic and political strategy of ruling circles in these countries has a number of elements in common with imperialist

policy, they nevertheless prefer and--what is most important--are able to conduct a relatively independent policy that does not always coincide with the positions of the main capitalist powers.

This tendency is seen in various forms and combinations in the Afro-Asian and Latin American world. A new phenomenon--countries with "sub-imperialist" tendencies, acquired fairly distinct outlines in the 1970's. This matter warrants separate analysis and is not the subject of this article. We will simply note here that the category of "sub-imperialism," as we understand it, reflects, on the one hand, the presence of fairly impressive economic (and sometimes military) potential and certain possibilities for independent economic growth in some developing states and, on the other, an almost complete process of consolidation of the local dominant class. By taking expansionist actions against other developing countries--whether economic, based on the export of capital, or military-political (military aid, arms shipments, etc.)--these countries have turned into regional "sub-imperialist" centers.

They are striving to use the struggle between the two systems and the anti-imperialist potential of the national liberation movement in their own interest, frequently employing anti-imperialist rhetoric in foreign policy matters, with the aim of greater autonomy in international affairs. For pragmatic purposes, these states support plans for the regional and global unity of the developing countries and most of them play an important role in the joint endeavors of the "group of 77" with regard to the question of the new international economic order, although they are quite often criticized by the less developed countries for their greedy ambitions and their conformist behavior in talks with the West.

The clearest symptoms of "sub-imperialist" tendencies in the 1970's were displayed by Iran in the Middle East and Brazil in Latin America. By the beginning of the 1980's, however, these tendencies had either been eliminated (by the fall of the shah's regime in Iran) or had reached an impasse. In Brazil, which the United States began to treat as a "privileged" ally at the end of the 1960's, supplying it with considerable military and economic aid, significant changes took place over the decade. The liberalization of the political regime and the erosion of military authority as a result of a regrouping process in the Brazilian ruling class made significant changes in foreign policy aims. The Brazilian Government, guided primarily by its own interests in spite of U.S. pressure, began to seek convergence and cooperation with African and Arab countries, established friendly relations with Angola and Mozambique and recognized the PLO. With a view to the growing anti-imperialist feelings in Latin America, it refused to support the American proposal on the use of OAS forces against Nicaragua.

Of course, these countries are not severing all ties with the West, but their relations with the United States and its allies are no longer confined only to an intermediate role. Furthermore, it should be stressed that many objective and subjective conditions in the developing world (including the hatred of imperialism and mounting anti-imperialist feelings) and in the world in general are limiting the area in which "sub-imperialist" centers can come into being and restricting the zone of their possible expansion. Nevertheless, this tendency still exists, maintaining several old "leaders" and setting up new ones.

On the whole, the spectrum of the foreign policy positions of the developing countries is extremely complex. All of them are involved in international politics, instilling it with the peculiar dynamism of rising nations, and the approach taken by these countries to global issues depends both on their specific interests (or even the interests of just their ruling groups) and on their degree of "engagement" or autonomy in intergovernmental relations, as well as the influence of other factors. In any case, there is no question that the developing countries are playing an increasingly important role in the international arena.

Therefore, the people of the developing countries and their governments have taken a long journey. The journey has been neither simple nor easy. The establishment of the developing countries' new role in world politics has not been completed as yet. The main thing, however, is that the process of the increasingly active involvement of developing countries in world economics and politics is irreversible. There is not a single major international problem today that can be solved without the aid of these countries, not to mention without consideration for their interests. By the same token, the tremendous economic, social and political problems of the developing states cannot be solved without purposeful and coordinated action by the entire international community and without an atmosphere of detente and lasting peace. The specific problems of the developing world and its need to overcome underdevelopment and be included in the world community as a fully fledged subject of history have become one of the most urgent global issues of the present day. The countries of the socialist community are contributing much to its resolution. V. I. Lenin's prediction of 1919—"The nations of the East will realize that they must take action and that each nation will decide the fate of all mankind"¹⁵—has come true.

FOOTNOTES

1. K. Marx and F. Engels, "Works," Vol 3, p 45; Vol 12, p 736.
2. Calculated according to: MONTHLY BULLETIN OF STATISTICS, December 1981, pp 1-5.
3. The term "newly liberated countries," which is widely used in our political literature, is most accurately used only in reference to the states (which naturally constitute the majority of the developing countries) that were formed on the site of the former colonies, and not in reference to many of the Latin American republics, which won their independence in the beginning of the 19th century, or the countries (Iran, Ethiopia, Nepal and others) which never lost their independence.
4. THE NEW YORK TIMES MAGAZINE, 16 December 1979, p 37.
5. R. Tucker, "The Inequality of Nations," New York, 1977, p 177.
6. Predictions of this kind were made in the beginning of the 1970's by, in particular, American economist P. Rosenstein-Rodan and West German researcher G. Schneider (see A. Kokoshin, "O burzhuaznykh prognozakh razvitiya mezhdunarodnykh otnosheniy" [Bourgeois Forecasts of the Development of International Relations], Moscow, 1978, pp 144-153).

7. "The U.S. and World Development, Agenda, 1979, New York, Overseas Development Council," McLaughlin (ed.), New York, 1979, pp 112-113.
8. "North-South: A Program for Survival," New York, 1980. For a detailed analysis of this document, see MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 10, 1980, pp 44-58.
9. See, for example, the works of American political scientists G. Liska ("States in Evolution. Changing Societies and Traditional Systems in World Politics," Baltimore, 1973).
10. See, for example, A. I. Levkovskiy, "Tretiy mir v sovremenном mire (Nekotoryye problemy sotsial'no-ekonomicheskogo razvitiya mnogoukladnykh gosudarstv)" [The Third World in Today's World (Some Problems of Socioeconomic Development in Multistructural States)], Moscow, 1970, p 9. It is indicative, however, that the later development of the concept of the multistructural state focused on the countries of the East and excluded Latin America (see "Zarubezhnyy Vostok i sovremennost': Osnovnyye problemy i tendentsii razvitiya stran zarubezhnogo Vostoka" [The Foreign East and the Present Day: Basic Problems and Tendencies in the Development of the Foreign Eastern Countries], Vol 1, 1980, pp 21-35).
11. See "Razvivayushchiyesya strany: zakonomernosti, tendentsii, perspektivy" [The Developing Countries: Natural Trends, Tendencies and Prospects], Moscow, 1974.
12. S. I. Tyul'panov, "Ocherki politicheskoy ekonomii (Razvivayushchiyesya strany)" [Essays on Political Economy (the Developing Countries)], Moscow, 1969, p 7; NARODY AZII I AFRIKI, No 5, 1980, pp 18-19; MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1978, pp 103-107.
13. In spite of the distinctive and important role played by the newly liberated countries, Soviet researchers have pointed out, they do not constitute a "special, third pole" in the system of international relations and are having no fundamental effect on their social-class basis (see "Sovremennyye burzhuaznyye teorii mezhdunarodnykh otnosheniy. Kriticheskiy analiz" [Contemporary Bourgeois Theories of International Relations. Critical Analyses], Moscow, 1976, p 214).
14. For example, the head of the Republic of Cuba, F. Castro, was the chairman of the nonaligned movement in 1979-1982.
15. V. I. Lenin, "Poln. sob. soch." [Complete Collected Works], Vol 39, p 328.

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ROLE OF DEUTSCHE MARK IN WORLD CURRENCY SYSTEM EVALUATED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 82
(signed to press 23 Jul 82) pp 103-112

[Article by V. Fedorov: "The West German Mark in the World Currency System"]

[Text] The West German mark has firmly established itself in second place after the American dollar in the hierarchy of capitalist currencies. The FRG is closely bound up in the international system of payments and the state of its economy depends to a considerable degree on foreign affairs. In addition to this, it also has some effect on the rest of the capitalist world, particularly through currency levers.

International Positions of the Mark

The growth of the mark's influence, resulting from the increasing strength of the FRG's position in the world capitalist economy, has taken two interrelated directions--its expanded international use has been accompanied by a rise in its exchange rate in relation to the dollar. The rising value of the West German currency was not a continuous process, but the Bundesbank eventually became the richest repository of currency in the capitalist world (see Table 1). The FRG's currency assets (net) totaled 68.9 billion marks in 1981 (see Table 2). This is an impressive figure, even if it is not a record. Currency accumulations reached their peak in 1978 (100.3 billion marks).

Marks account for 14 percent of the capitalist world's currency reserves (excluding gold). In all, the sum of 100 billion marks is concentrated in the hands of foreign owners. The mark is widely used as a means of payment in international trade: 80-90 percent of the exports and 40-50 percent of the imports of the FRG are paid for in its currency. The proportion accounted for by payments in marks in world capitalist commodity turnover has been estimated at 14 percent.¹ Recently the press has been comparing currency values by means of the indicator of the proportion accounted for by currencies in the financial and other assets of OPEC countries, including capital invested abroad. Of the total sum, equivalent to 751 billion marks, the dollar accounts for 70 percent, the mark for 8 percent and the yen and the English pound for 5 percent each. It is significant that this indicates the introduction of the mark and other currencies into a sphere traditionally dominated by the dollar, as transactions in the capitalist world's oil market are conducted in the American currency.

Table 1

Currency Reserves of Some Capitalist Countries
(end of December 1981)

<u>Countries</u>	<u>SDR (millions of units)</u>	<u>U.S. dollars (millions)</u>
England	13,757	16,013
Italy	19,631	22,850
Netherlands	9,562	11,130
FRG	40,886	47,590
France	21,991	25,597
Switzerland	14,925	17,372
United States	25,502	29,683

Source: AKTUELLE BEITRAGE ZUR WIRTSCHAFTS- UND FINANZ-POLITIK, 19 March 1982, p 6.

In Western Europe the mark has won extremely impressive positions. For example, 42 percent of the foreign drafts of banks in Luxembourg, an important financial center, are paid in dollars and 40 percent are paid in marks. The mark accounted for 27.3 percent of the European payment unit (June 1974) and rose to 33 percent of the ecu, the currency unit of the ECU, in March 1979 and to 34 percent just recently. "One currency dominates the ECU--the West German mark," declared F. Leutwiler, president of the board of directors of the Bank of Switzerland. The mark, EUROPA-ARCHIV magazine stressed, sets the tone in the European Currency Union, and other members, who often have to bear a heavy burden as a result of West German autonomous decisions, have to give in to their stronger partner.²

The mark's zone of influence is not confined to the EEC. According to F. Diewoka, secretary general of the union of Austrian banks, his country bases its currency policy primarily on the mark and only to a much lesser degree on the Swiss franc and the Dutch guilder.³ The same can be said of Switzerland. West German expert B. Tresor writes about the actual association of these two alpine countries (Austria and Switzerland) with the ECU "because the declared purpose of their issuing banks is to keep their currency as stable as possible in relation to the main ECU currency--the mark."⁴

There is other, extremely eloquent testimony to the mark's international role. In the last two decades it has been competing much more successfully with the dollar. Whereas from 1949 through 1961 the dollar could be exchanged for 4.2 marks, the quoted value of the mark in 1982 was twice as high.⁵

The mark's appearance on the world stage has had contradictory effects on the country. On the one hand, Bonn has acquired some means of political and economic leverage to persuade its partners to accept decisions benefiting itself, to facilitate its own expansion and to increase the demand for West German credit. On the other hand, monetary circulation in the country has been disrupted and national economic policy has become more dependent on the vagaries of international market conditions.

Table 2
FRG Currency Assets (Net)

At end of year	Total, billions of marks	Breakdown (%)				Other currency & foreign drafts
		Gold	U.S. dollars	SDR	IMF reserves	
1960	32.8	38.1	45.7	--	4.0	12.2
1965	31.5	55.9	16.5	--	13.7	13.9
1970	49.0	29.8	58.4	1.8	6.9	3.1
1975	84.5	16.6	60.5	5.3	5.8	11.8
1976	85.8	16.3	60.4	5.6	6.9	10.8
1977	88.2	16.0	62.6	3.4	6.3	11.7
1978	100.3	17.1	72.1	3.3	7.5	--
1979	93.0	14.7	55.6	3.9	5.8	20.0
1980	67.4	20.3	63.1	5.3	6.7	4.6
1981	68.9	19.9	54.0	5.3	8.1	12.7

Calculated according to: "Leistung in Zahlen 80," 1981, p 61; "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank," vol 3, No 2, 1982, Table 10.

The many statements by FRG officials with regard to their lack of interest in promoting the wider use of the mark as a world reserve currency are striking in light of all these processes. There have been certain sporadic efforts to do this (for example, the nonpayment of interest on foreign loans in marks and the required authorization of purchases of securities with a firm rate of interest). In fact, however, the authorities are more likely to take a favorable view of the mark's increasing tendency to transcend national boundaries than to prevent it. At the same time, objective factors play the decisive role in the international appraisal of currency and its use. The government is capable of instituting certain restrictions within the country, but these measures can be bypassed to a considerable extent by transnational monopolies.

Ruling circles and experts expect the international influence of the mark to grow. For example, Bundesbank President K. O. Poehl is predicting new successes.⁶ The main ones will be the reinforcement of the FRG's international positions in world capitalist production and commodity turnover, which will require the augmentation of its role in the currency sphere. The mark's progress abroad will also be promoted by the lower rate of inflation in the FRG than in other capitalist countries.⁷

The Mark in Relation to the Dollar and the Interest Rate

The mark's appearance on the international stage has changed some aspects of American-West German currency relations. At one time, the FRG unconditionally followed in the wake of the United States. For example, at the insistence of its overseas partner, it completely supported the association of the dollar with gold, although it recognized the artificial nature of this connection and the futility of the efforts in this sphere. As O. Emminger said to a MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA correspondent in 1979, when he was president of the Bundesbank, in the beginning of the 1960's it was already absolutely obvious that

the dollar could not continue to be redeemed in gold. Some time had to pass, however, before people overseas realized this. If Bonn had acted differently, Emminger said, it would have given the Americans grounds to accuse the FRG of aiding in the ruination of the "gold" dollar.

The collapse of the Bretton Woods system and the subsequent decline of the dollar exchange rate⁸ marked the end of the FRG practice of gearing its currency unconditionally to that of its overseas partner and motivated West Germany to seek alternative ways of escaping the world currency crisis--for example, the creation of the European "currency snake" and later the ECU. This is also attested to by the widespread use of several new methods of payment in the FRG and other Western European countries. According to West German financier S. Otto, the American challenge in the sphere of new types of financial and credit services stimulated similar activity on the part of Western European establishments, especially with regard to the development and introduction of payment by Eurocheck.⁹

The FRG does not want a direct confrontation with the dollar, however. Its ruling circles realize their extremely close attachment to the American currency.

Expressing the views of FRG officials and the business community, West German expert E. Thiel wrote that the dollar is still the leading international currency, that it cannot be replaced by any other and that the FRG is more dependent than the United States on the dollar-mark rate of exchange.¹⁰ As President L. Mueller of the Bavarian Land Bank stressed, the main thing is not the status of the mark in the ECU, but its exchange rate in relation to the dollar. It is this rate that reflects the international significance of the mark and the degree of investor trust in it.¹¹

In turn, the United States has had to take its main competing currency into account, particularly since the mark is not disputing the primacy of the dollar. When American ruling circles impose special military and political relations on the FRG, they are also pursuing economic interests. For example, they are striving to acquire an additional guarantee that the FRG will not launch an attack on the dollar and will not support attacks by other capitalist countries.

The currency relationship of the two countries is a combination of competition and interaction. Conflicts of interest were most apparent in 1981-1982, which were difficult years for the capitalist world, when FRG national economic requirements conflicted with its foreign economic commitments. The "interest war" started by the United States dealt a severe blow to the FRG economy.

Market conditions began to deteriorate in the second half of 1980, when the GNP growth rate dropped from 3.6 percent to 0.2 percent. There were also declines of 2 percent in industrial production and 0.5 percent in the GNP, inflation reached 5.9 percent and the number of unemployed was equivalent to 5.5 percent of the able-bodied population. For the third year in a row the FRG had a negative balance of payments (this time with a deficit of 17.5 billion marks), as a result of which the world press began to discuss the "West German syndrome" (living beyond one's means). In 1981 the third overproduction crisis in the country's economic history broke out and was responsible for record numbers of unemployed individuals and bankruptcies.

The economic theory and practice of state-monopoly capitalism have produced a sizeable arsenal of anticyclical weapons. For example, authorities generally respond to the decline of economic activity by reducing the cost of credit. By lowering interest rates they make it easier for businessmen to obtain new loans and try to stimulate their investment activity in this manner. Under the critical conditions of 1981-1982, however, FRG state organs were limited in these actions. The Bundesbank could not reduce the cost of credit because this would have devaluated the mark in relation to many other capitalist currencies and would therefore have taken capital out of the FRG.

We should remember that exports of capital (direct investments) from the FRG always exceeded imports after 1974, and the positive balance reached an unprecedented high of 5.9 billion marks in 1979 and 5.8 billion in 1980. The United States accounted for more than 40 percent of all the country's direct investments in 1980. The further augmentation of capital exports would have dealt a new blow to the balance of payments. Under these conditions, capital outflow stimuli had to be weakened. But this would have nullified the impact of this "new breath of air" through other channels (the rising cost of loans). Therefore, the high interest on credit in the United States and in several other countries deprived the West German authorities of an important way of influencing internal market conditions.

The FRG was also hampered by the fear of starting a panic (the negative aspects of the mark's widespread international use were becoming apparent). There is no question that the Bundesbank's present "foreign economic restraint"--in other words, its dependence on interest rates--is also due to the mark's function as a reserve currency. "When the Bundesbank takes steps against a sharp decline in the exchange rate of the mark, it must make policy in such a way as to keep other issuing banks from trying to unload large quantities of West German currency reserves," the administrators of the Dresdner Bank announced at the height of the crisis in 1981.¹² In short, FRG authorities were employing high interest rates to keep capital from leaving the country.

Some West German experts believe that the negative effects of high interest rates can be eliminated if they are lowered in all countries simultaneously. This idea has no chance of success, however, because the interest rate is not an arbitrary figure and it cannot be changed at will without considering the consequences. It is closely connected with concrete economic conditions, particularly the rate of inflation, which differs widely from one country to another. Furthermore, the interest rate is an important part of official policy, which is aimed at the attainment of specific economic goals. The interest rate is one of the weapons used in the competitive struggle in the international arena. For this reason, national governments reject any kind of outside encroachments upon their prerogatives in this area, regarding them as attempts by their rivals to gain advantages for themselves.

The meetings of the capitalist leaders in Ottawa in summer 1981 and in Versailles (France) in June 1982, where they discussed the problem of expensive credit and the possibility of reducing its cost, reaffirmed this fact. Although the West German economy is suffering from Reagan's hard money policy, FRG ruling circles have not responded to the French proposal put forth after the Ottawa conference.

It suggested that the Western European countries isolate themselves from this misfortune, forming something like "low-interest islands." On the Rhine this plan was called unrealistic because it ignores the close interaction of all the national economies of the capitalist world.

New Government Measures

The government is going against Keynesian precepts by preaching the strictest economy during the crisis phase. Finance Minister H. Matthafer cut many projected allocations for several ministries, particularly in the sphere of social benefits. Budget expenditures in 1981 exceeded revenues, however, mainly because the government did not refuse to honor some of its commitments--for example, its military obligations. This was also the case when the budget for 1982 was being drawn up; furthermore, Bundesbank was asked to help finance it with its profits from currency operations (around 10 billion marks).

According to the finance minister, the budget plays a much less important role in the system of anticyclical regulation than the interest rate (this is why the Bundesbank refused to lower the rate to combat the crisis). The minister believes that even a significant increase in the budget deficit would have much less influence as a stimulator of investments than a change in the interest rate; its reduction by only 1 percentage point would augment the profitability and investment potential of enterprises by 8 billion marks and would simultaneously provide more incentive to invest capital.¹³ Statements of this kind are motivated by Matthafer's departmental interests. The interest rate is set by the Bundesbank but the treasury is under the jurisdiction of the Ministry of Finance, which already bears the blame for the growth of the national debt (527 billion marks at the end of 1981).

Therefore, at the time of the crisis the FRG economy was disoriented. The method of the global stimulation of demand according to the Keynesian recipe for livelier market activity was hopelessly outdated, and "people are not likely to give it any serious thought," O. Emminger summed up the situation.¹⁴ According to L. Mueller, the Keynesian method of regulation is ineffective because it does not promote the necessary structural changes but simply postpones them, increasing the size of debts without guaranteeing any future security.

But what will replace it? All that the country's leading experts can suggest is the use of selective regulation with the aim of encouraging investments. They do not know themselves, however, how this vague recommendation should be implemented and whether it will produce the anticipated impact. "Government passivity is depressing everyone. This is a general topic of discussion at each enterprise," said W. Huta, a prominent figure in the business community and administrator of Deutsche Bank, the country's largest credit institution.

As usual, criticism of the government by the business community grows stronger each time the economy encounters difficulties. The cruel irony of the present situation stems from the fact that both experts and politicians are trying to purge the market of government regulation, which they once called a means of preventing crises, unemployment and inflation.

Officials and the business community have tried to overcome economic difficulties by expanding foreign trade. This time, however, the excess of exports over imports in 1980 fell to an uncommonly low level (8.9 billion marks) for a number of reasons. One was the higher cost of oil. Suffice it to say that a ton of imported liquid fuel cost the FRG 625 marks in May 1981 instead of the 75 marks it cost at the end of 1973. The prices of other imported energy sources are also rising. On the whole, energy imports (net) in 1980 totaled 64.6 billion marks (8.3 billion in 1972). In spite of conservation measures, oil consumption is still quite high--1,950 kilograms per capita, as compared to 1,890 in France, 1,610 in Italy and 1,310 in England.

Other causes of foreign economic difficulties are connected with Japan's vigorous penetration of the Western European markets, the protectionist tendencies in the capitalist world, etc.

Under the influence of domestic economic difficulties and the increasing deficit in the balance of payments, the value of the mark declined dramatically in relation to other currencies. For example, in relation to the dollar, it fell almost 12 percent in 1980. For the first time the mark was worth less than other currencies in the EEC and several others. "In the EEC the Deutsche mark is presently the weakest link," HANDELSBLATT reported.¹⁵ The Swiss BASLER ZEITUNG newspaper listed several "fundamental reasons" for the weakness of the mark in relation to the franc: the FRG's negative balance of payments, its budget deficit, the uncertain future of the present ruling coalition, etc.

This "covert" devaluation evoked varying responses in the country. Some specialists have suggested that the resulting improvement in export conditions for West German goods be utilized for new successes in world markets. Others have expressed the fear that the rising cost of credit due to the devaluation of the mark will stimulate inflation, which, in turn, cannot fail to have a negative effect on exports, production and employment. To avoid such difficulties, the overall competitive potential of national production must be enhanced. On the other hand, the devaluation of the mark, according to experts, is an extremely unreliable cure for the "ailing" balance of payments.

The government took action a year after the beginning of the crisis. In February 1982 Chancellor H. Schmidt announced a program of measures to create jobs and ensure growth and stability. It envisages a 10-percent investment raise for businessmen, expanded capital investments in power engineering, environmental protection and some social measures to reduce unemployment among youth. On the pretext of stimulating housing construction, almost all rent controls were cancelled. The government intends to finance the program by raising the tax on added value from 13 to 14 percent. In other words, the program will essentially be financed by the population.

The government program evoked total disillusionment. According to experts, attempts to stimulate production with the aid of a tax hike will escalate inflation, which will sooner or later have a negative effect on growth dynamics.

Therefore, the long-delayed program to improve market conditions did not, and indeed could not, lead the country out of its severe crisis. The conflicting

demands of the external sphere and the domestic economy considerably complicated the situation in the country. Furthermore, at this extremely crucial moment, the arsenal of global means of regulation turned out to be inadequate. Keynesian methods were questioned even by ruling circles, and the use of the traditional (pre-Keynesian) instrument of interest rate regulation is being impeded by the dollar and, paradoxically enough, by the mark itself.

Currency Disputes

West German experts have no clear views, and certainly no unanimous ones, on the further evolution of the currency system. The stormy events of the last 10-15 years have not only cancelled out their earlier beliefs about the workings of the currency system but have also caused them to take an extremely cautious approach to forecasts. We will discuss a few disputed matters in detail. It is still not clear whether exchange rates should be fixed or "floating," and disagreements over the role of the ECU have therefore never been settled. The economic expediency of avoiding the frequent adjustment of rates stems from the fact that there is almost no short-term connection between the domestic and foreign values of currency--this is the widely held opinion in favor of the ECU.¹⁶

It is being attacked, however, by other prominent experts (M. Neuman and O. Vogel). Criticizing the policy of the capitalist countries which try to preserve the currency status quo through stock market operations running into the billions, Professor Neuman states that fixed exchange rates do not contribute to the strength of fiscal or financial policy. The lessons of the past are evidently soon forgotten, he writes, otherwise political leaders in Western Europe would not have created the ECU, which is based on fixed rates. Furthermore, this has been done in lieu of setting the necessary priorities in the financial sphere and thereby promoting the gradual elimination of inflation and, consequently, currency conflicts.¹⁷

Experts have also pointed out that although the actual correlation between currencies can be discerned with the aid of "floating" rates, this is accompanied by sharp fluctuations in the value of monetary units. For example, in just under 2 years after January 1980 the mark was considerably devaluated in relation to the dollar (up to 14-15 percent) five times and then returned to its original level.¹⁸ There are also no grounds for the assumption that "floating" rates require less currency in international transactions than fixed ones.

These diametrically opposed views reflect differences of opinion among specialists and the contradictory nature of objective processes. The differences in the economic development of the FRG and other capitalist countries and the rising rate of inflation are the underlying reasons for currency conflicts. Fixed rates create the necessary conditions for the hidden growth of acute disparities between the actual values of national monetary units. For this reason, although Neuman is correct in his belief that firm rates will not guarantee currency conciliation, he draws the rash conclusion that the authorities are capable of overcoming internal economic contradictions whenever they wish.

The more than 3 years of ECU operations confirm the fact that coordinated efforts in the currency sphere (for example, fixed rates) can only be of a temporary and extremely unstable nature. Internal economic processes are disrupting the

agreement of bourgeois strategists on the creation of a regular currency mechanism in Western Europe. The ECU has not been able to alleviate the domestic and foreign economic difficulties of its members, as its initiators once hoped it would.¹⁹ Furthermore, these difficulties have put the very viability of the ECU in question. This danger was discussed by Bundesbank President K. O. Poehl.²⁰

Despite the existence of the ECU, differences in rates of inflation have become even more pronounced and have complicated the attempts to reduce the policies of member countries to a common denominator. For example, whereas the rate of inflation in 1978 ranged from 2.7 percent (FRG) to 12.1 percent (Italy), in 1981 the extremes were 5.9 percent (FRG) and 20.4 percent (Ireland).

Differences in national economic indicators face governments with a difficult choice: They can either resort to the devaluation (or revaluation) of their currency or take the risk of an outbreak of protectionist practices by their partners. Sometimes both occur. The problem is that the uneven devaluation of money (with fixed parities) motivates a run from weak currencies to stronger ones and can bring about international financial panic. The authorities try to counteract this by setting more rigid conditions of currency and commercial exchange and eventually revise parities or institute "floating" rates.

A compromise proposed by experts (for example, H. E. Scharer from the Hamburg Institute of Economic Research and specialists from the Rhine Westphalian Institute in Essen) consists in a broader range of permissible rate fluctuations. The present limit is 2.25 percent (6 percent for the Italian lira). Scharer suggests that they be doubled and proposes in general that currency rates be reviewed more often to avoid distortions that could have a serious effect on other areas of economic policy (stronger protectionist tendencies, more pronounced disparities in the "green market," etc.). It is difficult to predict what capitalist officials will do next to "improve" currency conditions. One thing is clear--currency conflicts cannot be stopped. In June 1982 exchange rates were reviewed yet another time since the founding of the ECU.

In light of all these events, the CEC appeals to member countries for closer cooperation in the area of currency and economic policy, as stated in its new program, seem dubious. They are not backed up by effective measures. Furthermore, according to the FRG Council of Economic Advisers, the members of the Common Market have not agreed on this program.

The ecu is another subject of disagreements. Several West German experts have an extremely optimistic view of the role of this unit as a common currency for the integrated group. Specific measures have been proposed to bring this about more quickly--for example, the issuance of an ecu coin and payment for imported oil in the ecu. These ideas have won support in EEC directive bodies as well as being popular in scientific circles.

The ecu's chance of becoming real money is being disputed by opponents. They believe that the ecu, which is calculated as the average of national monetary units, is a more stable point of reference than several of its elements. But only several, and not all. Just as in the case of any other average, the ecu is naturally weaker than the strongest of the currencies involved in the calculations and it therefore cannot compete successfully with them.

This is also the view of some Common Market agencies--for example, the European Parliament's general science and documents directorate. At the same time, experts believe that the problem of the ecu can be solved quite simply--the unit should remain constant "forever." They believe that a stable ecu will eventually supersede national units and become the main instrument of transactions. The creation of this kind of ecu will inevitably lead to the creation of a real European currency union.

This view--the idea that the stability of national currencies can be guaranteed with the aid of the ecu--has no real basis. Forgetting about internal disparities, inflation and the resulting currency conflicts that take place in an atmosphere of general competition, bourgeois authors hope that the situation can be changed radically for the better by means of the introduction of some kind of strong currency from outside.

The disagreements over the ecu will be settled by reality itself. "All of our past experience tells us that the dollar or the mark will always be preferred to artificial monetary units because they are more convenient"--this is how the results of the national currencies' competition with the ecu and SDR were summed up.²¹

Taking the place of the English pound, the mark has become the dollar's chief rival. Its role in international financial circulation could become even more important in the future. The West German Government is aware of the dual consequences of a high demand for a national currency. Whereas, on the one hand, it facilitates the attainment of some of the foreign political and economic objectives of ruling circles, it can also destabilize national production and complicate its regulation. This is the reason for the cautious currency strategy of the FRG, aimed at averting risky experiments and acute conflicts between rivals.

FOOTNOTES

1. WIRTSCHAFTSDIENST, No 10, 1979, p 474.
2. EUROPA-ARCHIV, vol 24, 1981, p 743.
3. BORSEN-ZEITUNG, 5 December 1981.
4. B. Tresor, "Kompendium der Geld-und Wahrungs-politik fur die Praxis," Koln, 1981, p 262.
5. 21 June 1948. Exchange rate of mark: 3.33 = 1 dollar. Permissible deviation--1 percent.
19 September 1949. Mark devalued by 20.6 percent in relation to dollar:
4.2 marks = 1 dollar.
30 January 1953. Gold parity set for mark: 1 mark = 0.211588 grams.
6 March 1961. Revaluation of mark in relation to dollar and gold by 5 percent:
4 marks = 1 dollar, 1 mark = 0.222168 grams.
27 October 1969. Revaluation of mark in relation to dollar and gold by 9.3 percent:
3.66 marks = 1 dollar, 1 mark = 0.242860 grams.
21 December 1971. Revaluation of mark in relation to dollar by 13.57 percent:
3.2225 marks = 1 dollar.

12 February 1973. Devaluation of dollar by 10 percent reevaluates mark by 11.1 percent: 2.9003 marks = 1 dollar.

19 March 1973. FRG, France, Belgium, Holland, Luxembourg, Denmark, Norway and Sweden institute collective "floating" exchange rate for their currencies. Mark reevaluated in relation to SDR by 3 percent: 3.39687 marks = 1 SDR unit.

29 June 1973. Revaluation of mark in relation to SDR and collective "floating" currencies by 5.5 percent: 3.21979 marks = 1 SDR unit.

18 October 1976. Revaluation of mark in relation to SDR and collective "floating" currencies by 2 percent: 3.15655 marks = 1 SDR unit.

13 March 1979. Creation of European currency system (ECU). Members: FRG, Belgium, Luxembourg, Holland, Denmark, France, Ireland and Italy. Creation of new European currency unit--ecu: 2.51064 marks = 1 ecu. Permissible deviation--2.25 percent (6 percent for Italy).

24 September 1979. Revaluation of mark in relation to all ECU currencies by 2 percent: 2.48557 marks = 1 ecu.

3 January 1980. Mark reaches peak in relation to dollar: 1.7062 marks = 1 dollar.

4 October 1981. Mark (and Dutch guilder) reevaluated by 5.5 percent in relation to Danish kroner, Belgian and Luxembourg franc and Irish pound.

13 June 1982. Mark reevaluated within ECU framework by 4.25 percent in relation to all union currencies: 2.33379 marks = 1 ecu. French franc and Italian lira simultaneously devaluated; exchange rate of mark raised by 10 percent in relation to franc and 7.2 percent in relation to lira.

6. CHRIST UND WELT, 18 December 1981.
7. The average annual rise in FRG prices between 1950 and 1959 was 1.13 percent, but in the next two decades it was 2.38 percent and 4.8 percent (O. Issing, "Einfuhrung in die Geldpolitik," Munich, 1981, pp 22-23).
8. Cumulative Bundesbank losses from dollar securities between 1961 and 1979 totaled 47 billion marks, while bank income from securities obtained overseas was equivalent to only 39 billion (WIRTSCHAFTSDIENST, No 3, 1981, p 130).
9. This system includes a Eurocheck card and Eurochecks. For a small fee the bank issues clients a plastic card. It comes with Eurochecks--special forms that are filled out upon payment. The forms signed by clients authorize the bank to draw the designated sums from their accounts. The European credit card, just as the Eurocheck system, is also being used more widely by the population. This plastic identity card allows the holder to acquire goods and pay for services without using any cash. In overseas operations the holders of Eurocards are not bound by the currency restrictions in effect in some countries.
10. E. Thiel, "Das Verhältnis von Dollar und D-Mark," Ebenhausen, 1981, p 10.
11. WIRTSCHAFTSWOCHE, 15 May 1981.
12. DRESDNER BANK WIRTSCHAFTSBERICHT, No 3, 1981, p 12.
13. Some experts have said, however, that the opposite is also true--namely that a larger national debt promotes a higher interest rate (see, for example, "Zeitschrift für das gesamte Kreditwesen," pt 21, 1981, p 8 (942)).

14. MANAGER MAGAZIN, No 6, 1981, p 21.
15. HANDELSBLATT, 21 October 1981.
16. WOCHENBERICHT, 16 August 1979, p 342.
17. WIRTSCHAFTSDIENST, No 10, 1978, p 504.
18. The exchange rate of the leading capitalist currencies has sometimes risen or fallen more than 2 or 3 percent in a single day (PRAVDA, 7 December 1981).
19. As we know, the ECU was created for political as well as economic reasons because its initiators wanted to stimulate the stagnant integration process with the aid of this union (N. Berthold, "Das Europaische Wahrungssystem. Konzeption und bisherige Erfahrungen," Kolin, 1981, p 9).
20. The high rates of inflation and large deficits in the budgets and balances of payments in several states of the community and the considerable differences in their economic development are threatening, in Poehl's words, the survival of the ECU.
21. E. Thiel, "Die Rolle des europaischen Wahrungssystems im internationalen System und im Verhältnis zum Dollar," Ebenhausen, 1981, p 21.

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U.S., SOVIET ATTITUDES TOWARD WAR CONTRASTED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 82
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[Article by Ye. Rybkin, I. Tyulin and S. Kortunov: "The Anatomy of a Bourgeois Myth"; passages rendered in all capital letters printed in boldface in source]

[Text] An acute struggle is continuing between the forces of social progress and reaction in questions of war and peace, where fundamental class, national and general human interests are closely intertwined. The struggle is developing with particular tension over military detente and disarmament, the need for which is insistently dictated by the presence of huge arsenals of means of mass destruction in the world, threatening mankind's very existence.

Taking into account the real danger of nuclear war posed by aggressive imperialist policies, the Soviet Union and the socialist countries persistently put forth constructive proposals providing for the end of the arms race, disarmament and security based on cooperation and stronger mutual trust among states. The activities of those reactionary circles which are making every effort to prevent the reinforcement and consolidation of detente and to cancel out everything positive that has been achieved in the sphere of international relations over the past decade are a serious obstacle to lasting peace among peoples.

Their chief argument is still the notorious myth of the "Soviet military threat," which people in the West try to perceive not only in our country's increased defense might but also in the national liberation struggle and, in general, in all negative--for imperialism--events in international life. Seeking to impart a pseudo-scientific semblance to such fabrications, numerous research organizations, associations and centers in the service of detente's opponents fabricate all sorts of analyses, reports and memoranda which, according to their authors' intention, are to confirm the thesis about "dangerous"--for the West--trends in Soviet military construction, the present quantitative and qualitative levels of the Soviet Armed Forces, the plans of the Soviet military command and so forth.

Throughout the postwar years the USSR's military doctrine, which bourgeois theoreticians portray as a factor in the so-called "Soviet aggressiveness," has been the subject of falsifications by imperialist ideology. A report by RAND staffers A. Horelick and M. Rusch, published in the mid-1960's, is an example of this. They declared that the aim of Soviet military strategy is to make provocative use

of the strategic nuclear threat to "extend the USSR's power and influence to non-communist parts of the world." At the same time, or so these authors maintain, the United States is merely countering this policy of the Soviet Union's and doing everything within its power to protect its allies and other countries from communist domination.¹ The thesis of the "aggressive nature" of Soviet military doctrine was central to the statements of American analyst T. Wolf, a group of researchers from the Italian Institute of International Relations and a whole series of other Western "experts."²

Nowadays insinuations of this sort have acquired unprecedented scales. Soviet military doctrine has turned into an object of constant and patently tendentious analysis and malicious slander on the part of a certain segment of the West's political and scientific elite. Bourgeois specialists declare without a twinge of conscience that Soviet military-strategic concepts proceed from a recognition of the possibility of victory in a thermonuclear world war, of inflicting a disarming first strike and so forth. A veritable squall of debate and argument has been whipped up over this parody of our military doctrine and has been given wide press coverage. The tone in this well-orchestrated propaganda campaign is chiefly set by representatives of reactionary American research centers connected with the military-industrial complex and the CIA.

A question naturally arises: Where do bourgeois analysts get their arguments about the "aggressiveness" of the USSR's military-strategic plans? After all, it is a well-known fact that there is not a single statement in Soviet literature that could serve as a starting point for such deductions. Nor are such grounds provided by Soviet political and military science or the USSR's stand on problems of war and peace, which has been clearly and unambiguously formulated in statements by the leaders of the CPSU and the Soviet State.

It is an old ploy of reactionaries, V. I. Lenin said, to distort socialism by ascribing absurdities to it and to then triumphantly refute them.³ It is precisely this ploy to which bourgeois critics of Soviet military doctrine resort. It is now reflected in the deliberate distortion of the initial theses of Marxism-Leninism on problems of war and peace--theses which defined the theoretical foundations of socialist foreign policy and Soviet military doctrine.

Since the moment of the emergence of the world's first socialist state, bourgeois political experts have been trying to prove that the sources of its "aggressiveness" lie in Marxist-Leninist theory itself: Since, they argue, Marxism-Leninism asserts the inevitability of communism's victory over capitalism, it cannot be ruled out that socialism may resort to war to achieve its historic tasks.

Professor R. Pipes of Harvard University, author of the well-known report by the so-called "B Group" set up in 1976 on U.S. President G. Ford's initiative with the aim of analyzing Soviet strategic guidelines, has expressed himself very frankly in this connection. In a REUTER interview, he bluntly declared that war is inevitable as long as the USSR bases its foreign policy on Marxist-Leninist ideology. Today this false thesis has also been taken up by the leaders of the American administration. Not a day passes without Washington officials proclaiming socialism the chief source of military danger, supposedly threatening the United States and other Western countries. Reactionary American pseudoscientists in turn hasten to substantiate statements of this sort scientifically and to find the sources of the mythical Soviet "aggressiveness" in the theory of scientific communism.

The Western researchers' thesis of messianism and expansionism as alleged characteristics of Marxism-Leninism also serves this purpose. It is developed, in particular, in a book by a group of French authors called "Les fondements doctrinaux de la strategie Sovietique," published in 1980. It begins by making the perfectly correct statement that, to the USSR, "the policy of peaceful coexistence by no means signifies abandoning the victory of communism," denying the class struggle or wishing to "preserve the status quo." Then it cites instances of our country's support for the national liberation movement, and from all this it draws the "irrefutable" conclusion concerning the Soviet Union's "expansionist aspirations" and "aggressiveness."⁴

You need a sick mind to interpret selfless aid to peoples striving to put an end to economic and political dependence on imperialism and acquire the right to choose their path of social development for themselves as evidence of Soviet "hegemonist designs" and "selfish interests."

Naturally, confirmation of these fabrications, whose ultimate aim is to show that socialism bears the chief responsibility for international tension and military conflicts, is not to be found in Marxist-Leninist theory, in the historical practice of socialist construction or in the foreign policy course of the USSR and the other community countries. Socialism is not a source of military danger since it does not need a war to implement its historic tasks. Marxists have always proceeded from the premise that they can and must be accomplished under the conditions of peace and peaceful coexistence between the two systems. According to Marxist-Leninist theory, the path to the worldwide victory of the socialist system does not lie through inevitable military conflict with capitalism in the world arena. The decisive role here is performed by the class struggle taking place in the exploiter society on the basis of the exacerbation of antagonistic contradictions between production forces and production relations. Let us remember that, as documents of the international communist movement have stressed, it was not world war that produced the present stage of the general crisis, which indeed is capitalism's most important feature.

That is why the thesis of the "inevitability" of armed struggle between the two sociopolitical systems, advocated by Western theorists, has no basis at all. The socialist states have no need to use armed force to overthrow the bourgeoisie in other countries. The establishment of one social system or another is an internal matter for each people. To try to use outside pressure to accelerate social development would be an inexcusable error, indicative of a blatant underestimation of the opportunities and potential of the proletariat and its allies. This kind of adventurist course would certainly not promote the cause of revolution and would even threaten immense harm to "the victorious proletariat," F. Engels stressed, "which cannot impose any formula for happiness on another people without undermining its own victory."⁵ Developing this thesis, V. I. Lenin stated directly and unequivocally in arguments with leftwing communists that "perhaps the authors believe that the interests of international revolution demand that it be given a PUSH, and the push could only be provided by war, and certainly not by peace, which is apt to give the masses the impression of a sort of 'legitimization' of imperialism. This 'theory' would be a complete break with Marxism, which has always rejected the idea of 'pushing' revolutions that develop as the class contradictions giving rise to revolutions reach the required pitch."⁶ We should note that V. I. Lenin is saying

here that Marxism has ALWAYS rejected war as a deliberately chosen means of accelerating the revolutionary process and that he himself saw this thesis as a COMPLETE BREAK with the theory of scientific socialism.

Thus, any kind of expansionism or messianism is totally alien to Marxism-Leninism. The West's desire to attribute these traits to Soviet foreign policy is evidence of imperialism's fear of the march of history, the development of the world revolutionary process and the growth of public self-awareness. But in so far as bourgeois theorists view international relations chiefly through the prism of military-power rivalry and in terms of military power, Western propaganda also presents the "Soviet threat" primarily as a military threat. The desire to implement foreign policy plans with the aid of weapons, which is an inherent feature of imperialism, is ascribed to the socialist states. The USSR's military policy and Soviet military doctrine are interpreted in the same vein. By distorting the socialist countries' foreign policy platform past the point of recognition, imperialist ideologists are trying to whitewash their own expansionist course and portray their own interventionist policy as something necessary and defensive, of all things.

Historical experience shows with the utmost clarity that it is imperialism, and not socialism, that has always had the desire to resolve the main contradiction of the era by means of armed violence. Ever since the world's first socialist state appeared, reactionary imperialist circles have been constantly threatening it with the use of military force, and whenever the opportunity has presented itself they have immediately switched from words to action. Naturally, socialism, whose ideal is peace and disarmament, had to create a powerful defensive shield to ensure the requisite conditions for peaceful socialist and communist construction. It has always been the purpose of Soviet military doctrine to accomplish this exceedingly important task.

Today, as in the past, it is purely defensive. "The essence of Soviet military doctrine," Marshal of the Soviet Union D. F. Ustinov, member of the CPSU Central Committee Politburo and USSR minister of defense, has observed, "consists in the fact that, guided by the principles of the Leninist foreign policy of peace and international security, it strives to defend the Soviet Union and the other socialist countries and to prevent imperialist aggression. Soviet military doctrine regards preventive aggressive wars of any kind of dimensions and the concepts of pre-emptive nuclear strikes as alien."⁷ At the same time, in the event of an attack on the Soviet Union and the other socialist countries, it envisages most vigorous and decisive retaliatory action. Warning those who are fond of military adventures, L. I. Brezhnev made it clear that "we will find a rapid and effective response to any challenge by bellicose imperialism, for our first and most sacred duty is to safeguard the security of our country and its allies and to safeguard a reliable peace for the Soviet people."⁸

Any military doctrine is based on particular theoretical propositions about the nature and essence of war as a social phenomenon and about its correlation with a state's policy and contains a number of principles that form the basis for the strategic concepts by which people are directly guided in preparing for armed confrontation and for the conduct of combat operations. So it is customary to distinguish between two aspects of military doctrine: the political aspect, which includes above all the fundamental and major overall political and ideological

aims, and the military-technical aspect, which relates chiefly to the nature and methods of the use of armed forces in war.

It is appropriate to emphasize that a precise delimitation and dialectical combination of the aforementioned basic principles and elements are found only in Soviet military thought. As for the numerous bourgeois concepts, in addition to their direct falsification of the nature of wars and deliberate distortion of the political aims that the bourgeoisie seeks to attain by plunging millions of people into bloody carnage, they are characterized by a completely arbitrary use of concepts like "military policy," "doctrine," "concept," "strategy" and so forth. In order to discredit Soviet military doctrine, they give an extremely confused account of the essence of war, the correlation between war and politics and a number of other questions that are resolved by Marxist-Leninist teachings on war and the army, by Soviet military policy and by the general theory of military affairs.

The Marxist-Leninist approach to war as a social phenomenon has always been based on Lenin's well-known proposition that war is the continuation of the policy of classes and states by violent means. Elaborating his teachings on war, V. I. Lenin used the well-known formula offered by K. Clausewitz, the German military theorist of the first half of the 19th century. For all his services, which were highly assessed by V. I. Lenin, Clausewitz was unable to reveal the class nature of war and policy in his analysis of the correlation between the two. V. I. Lenin created a fundamentally new teaching on war, based on an understanding of policy as the concentrated expression of economics and of the interests and activities of classes and states. In this way, the historical, enduring nature of war was revealed, its dependence on the nature of the socioeconomic system was demonstrated, the methods and conditions of its elimination were outlined and a blow was struck against the many theories depicting war as a fatal necessity that persists in all social formations without exception, or so it is claimed.

Of course, bourgeois ideologists have not recognized V. I. Lenin's views on the nature of war, continuing to claim that any system, whether capitalist or socialist, is equally capable of giving rise to wars. At the same time, certain Western ideologists have recently been attacking Soviet military thought and categorically denying the accuracy of the thesis put forward by the German military theorist. What is the reason for this maneuver by the critics of our military doctrine?

It should be noted that statements regarding the obsolete nature of Clausewitz' formula were originally made by representatives of the peace-loving public and sensible statesmen and military figures in the West. This reflected their realization of the catastrophic consequences of nuclear conflict and a protest against the insane plans to prepare for this kind of conflict. Reactionary bourgeois theorists also took advantage of this. Speculating on the antiwar sentiments of broad segments of the population and seeking to relieve aggressive imperialist circles of the blame for the threat of a nuclear world war, they began to state that this kind of war cannot be a means of attaining political objectives, even for imperialism. At the same time, they portrayed the Leninist definition of war, as quoted in works by Soviet authors, as a directive to socialism's armed forces to prepare for a nuclear attack.

In this connection, they have kicked up a ballyhoo about "dangerous disparities" between the Soviet and Western views of modern warfare. "While many in the West

regard nuclear conflict as more the end than the continuation of policy," J. Douglass, staffer of the Hoover Institution on War, Revolution and Peace, writes, for instance, in his book "Soviet Military Power in Europe," "this 'bourgeois' approach is clearly rejected in the USSR."⁹

Constructs of that sort turn everything upside down. After all, remarks by top Soviet leaders that nuclear war will bring victory for no one and that it is madness and the road to the destruction of civilization are well known. It has never been and is not the USSR's intention to threaten anyone with attack, for, as has already been pointed out, socialism has never regarded war as a means of achieving its political objectives. There is nothing more absurd than to pit Lenin's views against this principled stance and to "detect" evidence of our country's "aggressive" intentions in them.

The entire system of "proof" constructed by bourgeois science rests on a deliberate confusion of the two aspects that Marxist-Leninist science distinguishes in the essence of war as a continuation of policy. On the one hand, Lenin's thesis explains the sources of wars and their social nature. "Any war is inseparably associated with the political system from which it stems. The policy," V. I. Lenin wrote, "pursued for a long time before the war by a certain power or a certain class within that power is inevitably and inexorably continued by that class during the war, with only the form of action being changed."¹⁰ Here it should be emphasized that this thesis applies to the exploiter society, whose economic and political relations generate war. No weapon is capable of nullifying this, as the entire policy of imperialism, especially contemporary imperialism, testifies. Only the communist socioeconomic formation eliminates the sources of war. On the other hand, V. I. Lenin regarded war as one means of achieving political objectives--a possible means, but in no way an obligatory one. Politics by no means always demands a military solution and the use of violence.

History can relate incidents in which, under certain conditions (a correlation of forces unfavorable [as published] to the enemy, unfavorable external and internal conditions, etc.), war could not be a means of policy and was rejected. V. I. Lenin noted that "there are conditions under which violence...can produce no results whatsoever."¹¹ That thesis is precisely applicable to world war involving the use of nuclear missiles, which under present conditions make such a war absolutely unacceptable as an instrument of policy, and absolutely unacceptable not only from the standpoint of pragmatic considerations, but chiefly for moral and ethical reasons. Nuclear war would be a crime against present generations and also future ones. "It is dangerous madness to hope for victory in a nuclear war," L. I. Brezhnev stressed at the 26th CPSU Congress.

At the same time, it has to be noted that, although Western militarist circles verbally renounce the thesis that "war is the continuation of policy," they have no intention of excluding nuclear weapons from the arsenal of imperialist policy instruments. This is attested to by the concept of "limited nuclear war" put forward recently by the U.S. military-political leadership. Marshal of the Soviet Union D. F. Ustinov, member of the CPSU Central Committee Politburo and USSR defense minister, stated the following in this connection: "Is it possible to talk seriously of some kind of limited nuclear war? After all, it is clear to everyone that the aggressor's actions will unavoidably and immediately prompt an

annihilating retaliatory strike from the target of the aggression. Only completely irresponsible people are capable of claiming that nuclear war can be waged according to preset rules, whereby nuclear missiles must be detonated 'in a gentlemanly fashion': They must be aimed at specific targets and must not hit the population in the process."¹²

Soviet military thought regards the concepts of both "limited" and general nuclear war as equally dangerous. "Our military doctrine," D. F. Ustinov stressed in his recent PRAVDA article, "has a purely defensive thrust. The nature of the Soviet Armed Forces, the principles of their construction and the strategy and tactics for their utilization are predicated on the repulsion of aggression and threats to us and our friends which emanate from imperialism.

"The general defensive orientation of Soviet doctrine has also found expression and continues to find expression in our state's military-technical policy. The USSR has not been the initiator of the creation of the most destructive means of struggle, those that are especially dangerous to people and to all life on earth. On the contrary, we have always tried to prevent the development of more destructive means of warfare and the extension of the arms race to more and more new spheres."

At this point we should also mention another ploy used widely by bourgeois theorists (the aforementioned American analyst J. Douglass, for example) in order to ascribe aggressive offensive aims to socialism's military doctrine--the deliberate distortion of the fundamental theses of Soviet military science with regard to methods of warfare by substituting its tactical aims for its strategic aims, and also certain operational principles. It is perfectly obvious, however, that not only defensive tactics, but also offensive ones, tactics for meeting engagements and so forth, are perfectly natural within the framework of a military strategy aimed at protecting and defending the state and repelling aggression and that this does not change the general character of the strategy in the slightest.¹³ Soviet military doctrine does not have the aim of delivering a "first, preventive" strike. It contains no aggressive elements. Our country's efforts are aimed at keeping matters from reaching the point of either a first or a second strike and preventing nuclear war altogether. Convincing proof of this can be seen in the unilateral Soviet pledge not to use nuclear weapons first, which L. I. Brezhnev solemnly proclaimed in his message to the Second Special Session of the UN General Assembly. This is also the motive for the Warsaw Pact's well-known proposal that a treaty on no first use of nuclear or conventional weapons be signed by all the states that took part in the all-Europe conference.

Ascribing "aggressive intentions" to the USSR, bourgeois experts are taking every opportunity to rehash the far-fetched thesis of the Soviet side's rejection of "mutual deterrence"--the principle that supposedly forms the foundation of the West's current military strategy. Regarding that strategy as "purely defensive," they imply that Soviet military doctrine is "geared to war."

It was in precisely this spirit that the American military specialist T. Wolf spoke out in the early 1970's, claiming that although the Soviet Union was no less interested in deterring nuclear attacks than the United States, it was nevertheless not inclined to rely only on the concept of mutual assured destruction and was considering the practical aspects of waging and surviving a nuclear war.¹⁴ The

same idea was expressed by J. Douglass: "The difference...between a strategy for fighting a war and a strategy of deterrence may be crucial," he writes. "Since many of our leaders believe it is impossible to fight a nuclear war, the Western armed forces are designed for deterrence. The belief is that the Soviet Union proceeds from the same premise, but judging by Soviet literature and military organization, it would be exceptionally dangerous if not wrong to ascribe such an approach to the USSR. Maybe the Soviet Union is seeking to avert war and is creating its own military potential for deterrence. It is a completely different type of deterrence, however, stemming from the capacity to fight a war."¹⁵

What is the situation in reality?

It is not hard to see that when bourgeois analysts accuse Soviet military doctrine of rejecting "deterrence" and of gambling on winning a nuclear war, they are effectively trying to assign it the particular views on the use of military force that underlie the strategic military aims of imperialism, especially American imperialism, with regard to the USSR and the other socialist countries.

American strategists have always proceeded from the premise that so-called "deterrence," which Washington has always understood as the U.S. capacity to dictate its will in the international arena, can only be effective if that country is prepared to wage an all-out nuclear missile war. It is a well-known fact that American military-political thought and official strategic military doctrines of the 1950's and 1960's certainly did not focus on the problem of preventing nuclear war, although there was plenty of highfalutin talk about the horrors of the "nuclear apocalypse," but on the quest for "acceptable scenarios" for a nuclear confrontation that would enable the United States to survive and win that confrontation. The notorious "deterrence" was essentially camouflage for U.S. preparations for a nuclear attack on the Soviet Union.

The current American leadership claims that the change in the correlation of military forces between the USSR and the United States in the 1970's (in fact it was a case of the establishment of strategic military balance between them) undermined the U.S. position to a considerable extent, which led to a kind of "erosion of deterrence." Today, American military experts go on to argue, in order to strengthen the "deterrent effect" it will be necessary to ensure the buildup of U.S. strategic potential--that is, to increase the U.S. capacity to fight a war. For example, in his recent book "Strategic Deterrence in the 1980's," R. Speed, former consultant to the American Navy and Air Force, unequivocally declares that the United States must review its military strategy in the current decade and restructure its armed forces in such a way as to "deter by acquiring the ability to fight a nuclear war."¹⁶ In turn, according to the logic of American strategists, this ability also implies a U.S. capacity to win a nuclear conflict. (K. Grey), director of the Hudson Institute National Security Research Program and former deputy director of the International Institute of Strategic Studies, formulated this idea quite precisely: "We believe a nuclear war can be won and lost in a practical sense."¹⁷

The corresponding thrust in the American leadership's military efforts is reflected in the documents and speeches of statesmen and military figures. For example, secret memorandum 242, dated 17 January 1974 and signed by R. Nixon, contained an

appeal to "ensure the most favorable possible outcome of a war so far as the United States and its allies are concerned."¹⁸ A speech by B. Rogers, the American general who is the current NATO supreme allied commander Europe, has also pointed out that in the event of an all-out nuclear conflict, it will be necessary to "ensure that it ends on terms benefiting the United States."¹⁹

This attitude, which was dubbed the strategy of "superior countermeasures" in the West, was reflected in one of the Carter Administration's first foreign policy documents--Presidential Directive 18 of 24 August 1977--and then in PD 59.

The Reagan Administration adopted an even more dangerous and reactionary course during the first days after it came to power in the United States. In his speech on 20 January 1980 [year as published] at his official inauguration ceremony, President Reagan stated the following: "Our restraint should not be misinterpreted. It would be wrong to see our reluctance to come into conflict as an absence of will. When action is needed to safeguard our national security, we will take action. WE WILL MAINTAIN SUFFICIENT MIGHT TO PREVAIL, IF NECESSARY."²⁰

If you jettison the verbal camouflage, it is perfectly clear that the U.S. President believes in the possibility of winning the nuclear war with the Soviet Union, for which preparations are being openly made. As U.S. Defense Secretary C. Weinberger has declared, the new strategy is aimed at achieving "complete and indisputable" military superiority and at vigorously opposing the Soviet Union while "defending our own vital interests" in various parts of the world. Multiple scenarios for the use of strategic nuclear weapons are envisaged, ranging from so-called limited nuclear strikes to massive strikes against the entire complex of targets in the Soviet Union and the other socialist community countries.

This thrust of the Reagan Administration's foreign policy has certainly not passed unnoticed in the United States itself. The present strategy, American military specialist M. Getler noted, "is aimed not only at the deterrence of war but also at the possibility of winning if a war does nevertheless begin."²¹

The idea of "limited nuclear war" now occupies a central place in Washington's strategic military plans. Primarily, it envisages an exchange of nuclear strikes on the European continent. It is for this purpose that the forward-based facilities available in Europe are being expanded. By creating mighty echelons of Pershing II and cruise missiles there, the United States is hoping to gain a great advantage in the strategic respect as well, since the range of the Pershing II is 4,000 kilometers and its flight time is no more than 5-10 minutes. The trans-Atlantic aspirant to world domination is thus hoping to acquire the ability to hit the entire territory of the USSR and its Warsaw Pact allies right up to the Urals without using the ICBM's deployed in the United States. As we can see, the Pentagon-engineered plans to "Europeanize" nuclear war not only create an additional threat to the socialist community countries but are also treacherous with regard to the United States' European NATO allies, who will become its "nuclear hostages."

Therefore, the current U.S. military strategy, which is aimed at delivering a first strike and is geared to winning a nuclear war, is aggressive in its very basis and poses a real threat to the fate of peace and the security of all

peoples. As for the concept of "deterrence," upon verification it turns out to be nothing other than a propaganda trick covering up the United States' true intentions and real actions in the strategic military sphere. Hiding behind this, militarist circles are essentially hoping to expand, not exclude, the possibility of using force in the interest of implementing the imperialist course. Their aim has never been to prevent nuclear conflict as such, but to "deter" the whole world by the threat of unleashing a war against the USSR and the socialist community countries.

But if we interpret deterrence to mean a policy aimed at preventing any wars or use of force in international relations and ensuring peaceful coexistence between the two systems, this is characteristic precisely of the USSR's military strategy. Ever since the victory of Great October, the Soviet Armed Forces have always been set only one task--to be a reliable obstacle to the implementation of imperialism's aggressive schemes. "Our army," V. I. Lenin pointed out, "is the real guarantee that the imperialist powers will not make the slightest attempts, the slightest encroachments...for though they could expect some ephemeral successes at first, Soviet Russia would rout them all."²²

The Soviet Union's elimination of the imperialist states' military-technical superiority and the attainment of a strategic balance with capitalism are of tremendous importance in increasing the effectiveness of socialism's military might as a factor deterring imperialism's aggressive impulses. Even certain bourgeois press organs which are by no means sympathetic toward the USSR have had to acknowledge this fact. Back in 1977, for example, the influential American journal FOREIGN POLICY published an article with the extremely eloquent title "The Deterrence of Our Deterrent," which concluded that under the conditions of nuclear parity the Soviet Union had gained the opportunity to neutralize U.S. political actions directed against it and the other socialist countries.²³

It is with the hope of deterring aggression in the West and the East that the USSR is carrying out the organization of its armed forces, during which it has rigorously adhered to the quantitative and qualitative limits of the necessary defense of our country and its allies. The charges that the USSR is disrupting military parity are ridiculous and invalid.

"The Soviet Union rejects the line of military superiority on principle," A. A. Gromyko, member of the CPSU Central Committee Politburo and USSR foreign minister, stressed in his speech at the Second Special Session of the UN General Assembly on Disarmament. While showing concern for its own defense potential, the USSR has never initiated the development of new types of arms at any time in postwar history but has merely been forced to take steps in response to imperialism's desire to disrupt the strategic military balance in its own favor.

The Western propaganda thesis that the USSR's military potential is not in line with the requirements of defense and has a menacing, aggressive and offensive thrust is also absolutely untenable. The nature of weapons is such that they inevitably possess both defensive and offensive features. This nature cannot be assessed in isolation. Only the policy implemented by the state in question makes it possible to determine whether a particular military potential is a defense potential or not. The USSR's peace-loving foreign policy course determines the

purely defensive purpose of the Soviet military potential, which consists in ensuring our own security and international security. Nowadays this is being acknowledged more frequently in Western political and military circles. For example, P. DeVillers, staffer of the Paris Center for International Studies, notes in his book "War or Peace?" that the goal of the "Soviet policy of deterrence" is to "neutralize aggressive tendencies in the non-socialist world," "to force a potential enemy to abandon the very idea of aggression or confrontation" and "to establish relations with him that preclude the use of force."²⁴

Military means have never been the main means in socialism's foreign policy strategy. At the same time, the USSR and its allies are bound to take into account the arms race started by imperialism, the atmosphere of hostility toward the Soviet Union and the other socialist countries fueled by the United States and NATO and the open threats and attempts to interfere in their affairs. Therefore, the constant concern for maintaining the socialist community's defense might at the proper level certainly does not mean that the Soviet Union and its allies are committed to a policy of "mutual deterrence," of a "balance of fear" and so forth in relations with states belonging to the other social system.

"A peace based on mutual deterrence holds no attraction for us. We prefer a peace in which our arms levels are gradually lowered while the scale and quality of cooperation in all spheres grow and improve," L. I. Brezhnev underscored.²⁵ This is precisely the aim of the peace program for the 1980's, adopted by the 26th CPSU Congress. It includes measures to reduce both nuclear and conventional weapons, contains proposals on the settlement of existing conflicts and crises and the prevention of new ones and is filled with a desire to deepen detente and develop peaceful cooperation among the countries of all continents.

Socialism has been and remains the source of peace. The struggle to strengthen it is the USSR's general line in the foreign policy sphere. This is attested to by the Soviet State's more than 60 years of international activity and its consistent and purposeful attempts to assert the principles of peaceful coexistence by states with different social systems. The latest evidence of this is the Soviet Union's specific and far-reaching proposals on ways of curbing the arms race and averting the threat of world war, submitted by our country at the Second Special Session of the UN General Assembly. The pledge by the Soviet Union not to initiate the use of nuclear weapons, contained in L. I. Brezhnev's message to the session, and the Soviet-submitted memorandum on "Averting the Growing Nuclear Threat and Curbing the Arms Race" and draft provisions of a convention on the prohibition of the development, production and stockpiling of chemical weapons and on their destruction were the focus of attention at the session and have prompted a broad international response. The peoples of the world are entitled to expect these peace-loving initiatives by the Soviet Union, which are in agreement with the most vital demand of our day and with the basic aspirations of all mankind, to prompt responses from the other nuclear states.

"Concern for peace is predominant in the Soviet Union's policy," L. I. Brezhnev's message to the session says. "We are convinced that no contradictions between states or groups of states, no differences in social systems, ways of life or ideology and no momentary interests can obscure the fundamental need common to all people--the need to preserve peace and avert nuclear war. Today more than ever before, purposeful, considered actions in the name of this lofty goal are required of all states."

FOOTNOTES

1. See A. Horelick and M. Rusch, "Strategic Power and Soviet Foreign Policy," Chicago-London, 1966, pp 9-10.
2. T. Wolf, "Soviet Strategy at the Crossroad," Cambridge (Mass.), 1964, pp 14, 21; T. Wolf, "Soviet Power and Europe, 1945-1978," Baltimore, 1970, pp 3, 41; "La Strategia Sovietica. Theoria e practica," Milan, 1971.
3. V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 24, p 361.
4. "Les fondements doctrinaux de la strategie sovietique," Paris, 1980, pp 36-37, 155-156.
5. K. Marx and F. Engels, "Works," vol 35, p 298.
6. V. I. Lenin, Op. cit., vol 35, p 403.
7. PRAVDA, 25 July 1981.
8. Ibid., 10 May 1981.
9. J. Douglass, "Soviet Military Power in Europe," N.Y., 1982, p 3.
10. V. I. Lenin, Op. cit., vol 32, p 79.
11. Ibid., vol 38, p 43.
12. PRAVDA, 25 July 1981.
13. D. M. Proyektor, "Paths of Europe," Moscow, 1978, p 198.
14. T. Wolf, "The Convergence Issue and Soviet Strategic Policy," "RAND 25th Anniversary Volume," Wash., 1973, pp 142-143.
15. J. Douglass, Op. cit., p 165.
16. R. Speed, "Strategic Deterrence in the 1980's," Stanford, 1979, p 117.
17. FOREIGN POLICY, Summer 1980, p 20.
18. THE WASHINGTON POST, 12 October 1980.
19. "Statement by General B. Rogers, Chief of Staff," Wash., 1977, p 6.
20. THE WASHINGTON POST, 21 January 1981.
21. Ibid., 4 May 1981.
22. V. I. Lenin, Op. cit., vol 42, p 248.

23. FOREIGN POLICY, Summer 1977, p 10.
24. P. DeVillers, "Guerre ou paix. Une interpretation de la politique exterieure sovietique depuis 1944," Paris, 1979, pp 253-254.
25. PRAVDA, 23 May 1981.

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WEST EUROPE'S ENERGY CONSUMPTION INCLUDES MORE GAS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 82
(signed to press 23 Jul 82) pp 148-156

[Article by N. Krichigina: "Energy Conservation in Western Europe"]

[Text]. The expansion of production in the capitalist countries of Western Europe in the 1950's and 1960's was accompanied by increased energy consumption until the start of the energy crisis in 1973. The average annual rate of increase in energy consumption was 4.5 percent between 1950 and 1973, and the growth rate of the GDP was 4.7 percent. At the beginning of the 1950's coal represented the lion's share of primary energy resources. The subsequent rising demand for energy, however, was satisfied by more imports of cheap oil. Its share of the regional energy supply rose from 12 percent in 1950 to 59 percent in 1973, while the share of hard fuel dropped from 86 to 25 percent; the respective figures for natural gas were 0.2 and 13 percent, and the figures for hydraulic resources and geothermal and nuclear energy were 2 and 3 percent.

As a result, the region constantly grew more dependent on imported sources of energy. Whereas imports covered 10 percent of the demand for energy at the beginning of the 1950's, the figure had already exceeded 60 percent by 1973. Furthermore, the figure was around 80 percent in France, Italy, Belgium and Ireland and almost 100 percent in Denmark. The national economy's dependence on exporters of liquid fuel and the critical state of the coal industry forced several governments, and even the European Economic Community, to begin drafting energy programs as early as the beginning of the 1960's. At that time their primary aim was the diversification of national sources of energy, mainly through the development of coal mining and nuclear power engineering. Despite all of the diversity and variety of these programs, they had the attempted diversification of energy sources and the reduction of relative energy consumption in common.

State Policy

By the end of the 1970's virtually all of the Western European countries had national energy programs--groups of measures to be taken in the next 10-15 years for the attainment of two main objectives. In the sphere of acquisition, the objective was a smaller proportion of imported oil and a larger one of national resources in the supply of primary energy sources, as well as the gradual development of solar, wind, biomass and tidal energy. In the area of consumption, the objective was the reduction of proportional energy requirements by means of the more efficient and comprehensive use of all types of energy.

The implementation of these programs has been coordinated or controlled by specially created ministries, administrations, agencies and other government bodies, and the programs or their individual sections are revised or supplemented in line with changing conditions.¹ The entire set of state-monopoly regulatory measures has been employed in the accomplishment of all this.

In recent years the governments of many Western European countries have made widespread use of administrative legal restrictions (for example, in the FRG and Denmark) or even bans on the construction of new heat and electric power stations operating on liquid fuel. There are regulations covering the temperature of public and commercial buildings (often the heat has to be turned down to 18-19° C), the speed of automobile traffic and the hours of illuminated advertising. Higher insulation standards are being instituted for new construction, and lower energy consumption standards have been set for new vehicle models.

In some countries, such as Spain, companies and enterprises using too much energy are officially audited and fined. Considerable attention is also being given to the training of specialists in various fields of energy conservation, to government-financed demonstrations of energy-saving methods and systems and to the popularization of progressive experience in this area.

Economic leverage is being used to influence energy producers and consumers--taxes, government subsidies, loans and, in particular, prices.² Although energy prices as a whole have recently risen considerably, the rise has not been the same in different countries and economic sectors. This is connected primarily with the fact that world oil prices are set in U.S. dollars, and the declining exchange rate of the dollar in 1975-1977 slightly lowered the price of liquid fuel in the national markets of most of the Western European countries. Besides this, each state conducts its own policy of internal price regulation.

In England, for example, the government relied on its monopoly in the distribution of gas for a long time and kept the price of gas low.³ In recent years the price of gas has "approached" the price of oil and has more than tripled. This has resulted in more energetic efforts to exploit gas deposits on the English shelf of the North Sea and increase gas consumption.⁴ The Dutch Government has conducted a similar pricing policy with regard to its gas.

The consumption of petroleum products is restricted in the internal market by raising the price of these products, often through indirect taxes, which were raised in the FRG, Sweden, Italy, Spain, Denmark and other countries at the end of the 1970's. In France, indirect taxes have accounted for around 60 percent of the price of gas, 55 percent of the price of oil and 20 percent of the price of household fuel in recent years.

With the aid of taxes, benefits, subsidies and loans, the governments of many Western European countries are stimulating energy conservation. In particular, they are being employed to encourage the installation of energy-saving equipment, especially that which lowers oil consumption; the expanded use of electricity instead of liquid fuel to heat buildings; the introduction of solar heating batteries for household use; the improvement of thermal insulation. In Great Britain, for example, funds used to improve the insulation of industrial buildings are

completely exempt from taxation the next year, and the same kind of investments in the housing sector are government-subsidized by 90 percent.

The main purpose of these benefits is to persuade businessmen to invest capital in energy-saving measures. In recent years these investments have grown in the private and government sectors. In the second half of the 1970's they increased more than sixfold in France (in constant prices) and the government financed an average of one-fourth of all investments. In accordance with the special energy conservation objectives set in 1978, the energy coefficient of the GDP was supposed to be lowered to 0.5 by 1985, and two-thirds of the decline was to be the result of increased investments in energy conservation.

Private business has had a fairly slow reaction to the government measures, however. This is connected with the price dynamics of energy resources and with traditional patterns of energy consumption (the convenience of using oil, which might be more expensive but is also more economical); the unavoidable retention of power equipment geared to the use of precisely this resource. Finally, instead of making costly capital investments that take a long time to recoup, businessmen prefer to transfer the burden of rising energy costs to the mass consumer by raising the prices of finished products.

General endeavors to influence the production and consumption of energy in individual countries are supplemented by specific ones which take national peculiarities into account. In France, with its traditions of planning and the close ties between its government and monopolies, the energy conservation program has been undertaken jointly by representatives of the government and leading branches. Companies which fulfill their conservation commitments are awarded prizes by the government. In Great Britain, where the large branches producing and consuming energy are mostly nationalized, the government recommends that conservation indicators be included in their plans and reports.⁵

Energy Supply

Certain changes have taken place in the balance of primary energy sources. In particular, the proportion accounted for by oil has decreased, and the proportions accounted for by coal, natural gas, hydraulic energy and nuclear power have grown or remained the same (see Table 1). Many Western European countries have sizeable reserves of hard coal and lignite. The output of this coal is being increased too slowly, however, because coal is less economical and produces less heat than oil and because the conversion of equipment operating on liquid fuel to hard fuel is a costly undertaking. To stimulate the broader use of coal, the governments have taken measures to reduce mining and consumption costs. In Great Britain and France the state is supporting the construction of enterprises for the gasification and hydrogenization of coal and the production of liquid fuel consisting of a mixture of coal dust and petroleum or fuel oil, the use of which will not require any serious changes in boilers and heaters.

The Boliden company in Sweden is building an enterprise for the production of "carbogel"--a mixture of refined coal dust, water and chemical additives. The FRG has been most successful in this area and already has seven industrial plants for the gasification of coal and three for its liquefaction. They are expected to begin operating on a commercial basis in the mid-1980's.

Table 1
Structure of Primary Energy Resource Consumption (%)

<u>Countries</u>	<u>Years</u>	Hard fuel	Liquid fuel	Natural gas	Hydraulic and nuclear power
Western Europe	1970	32.6	56.2	7.8	3.4
	1975	23.7	56.2	15.9	4.2
	1979	23.8	53.2	18.1	4.9
Austria	1970	26.6	50.0	15.9	8.0
	1975	20.0	51.1	20.4	8.5
	1979	16.6	52.4	22.1	8.9
Belgium	1970	36.6	51.7	11.3	0.4
	1975	23.8	51.9	23.2	0.1
	1979	25.0	49.3	23.2	2.5
Great Britain	1970	51.9	41.4	5.4	1.3
	1975	37.9	42.7	17.8	1.6
	1979	38.8	38.3	21.1	1.8
Holland	1970	11.3	46.6	42.1	--
	1975	4.3	34.5	60.7	0.5
	1979	4.6	36.6	58.2	0.6
Greece	1970	28.0	70.1	--	2.8
	1975	23.7	75.1	--	1.7
	1979	25.2	72.4	--	2.4
Denmark	1970	11.1	88.9	--	--
	1975	13.9	85.7	--	0.4
	1979	23.0	75.5	--	1.5
Ireland	1970	40.9	58.1	--	0.9
	1975	40.4	58.8	--	0.8
	1979	20.7	71.4	6.7	1.2
Iceland	1970	--	78.0	--	22.0
	1975	--	72.7	--	27.3
	1979	--	67.6	--	32.4
Spain	1970	30.5	62.6	0.2	6.7
	1975	20.9	71.7	2.2	5.0
	1979	22.4	68.1	2.5	7.0
Italy	1970	9.3	75.0	11.5	4.2
	1975	7.2	72.1	17.0	3.7
	1979	7.7	67.9	20.2	4.2
Norway	1970	8.0	55.2	--	37.2
	1975	6.3	49.2	1.5	42.9
	1979	3.8	49.2	8.9	38.1
Portugal	1970	18.4	70.8	--	10.8
	1975	6.3	85.2	--	8.4
	1979	6.4	81.0	--	12.6
Finland	1970	18.6	74.5	--	6.4
	1975	16.7	69.9	4.4	9.0
	1979	21.5	66.7	4.7	7.1
France	1970	28.2	61.4	6.7	3.7
	1975	19.6	64.2	11.4	4.8
	1979	20.3	59.9	13.8	6.0

[Table continued on following page]

[Table 1, continued]

Structure of Primary Energy Resource Consumption (%)

Countries	Years	Hard fuel	Liquid fuel	Natural gas	Hydraulic and nuclear power
FRG	1970	40.7	51.2	6.8	1.3
	1975	31.7	50.3	16.3	1.7
	1979	30.7	47.5	19.8	2.0
Switzerland	1970	3.6	81.4	--	15.0
	1975	1.4	78.8	3.4	18.1
	1979	1.4	73.2	5.3	20.1
Sweden	1970	5.2	83.9	--	10.8
	1975	5.8	75.5	--	18.7
	1979	4.7	74.1	--	21.2

Calculated according to: "World Energy Supplies, 1950-1974," UN, New York, 1976, Table 2; "...1973-1978," UN, New York, 1979, Table 4; "1979. Yearbook of World Energy Statistics," UN, New York, 1981, Table 6.

The intensity of resource exploitation and the problem of the depletion of oil and gas resources are being given special attention. The excessively high rates of gas production in the Netherlands are being lowered. The annual maximum volume of oil and gas from the shelf of the North Sea in Norway will be reduced from 90 million tons of conventional fuel to 70 million in the next few years. Great Britain is lowering the level of oil production on sites discovered after 1976.

Considerable importance is being attached to the complete utilization of casing-head gas, much of which was being burned off at the end of the 1970's. The amount of gas lost in the English part of the North Sea was sometimes equivalent to 15 percent of the national output. Now the gas is being pumped into reservoirs, including partially depleted deposits in the southern part of the North Sea. It will be kept here until winter demand reaches its peak or until the network of pipelines serving around 40 producers (including more than 20 deposits where gas is now being burned off) is ready for use in the mid-1980's. The construction of a network of gaslines in the Norwegian part of the North Sea should be completed at around the same time.

Rising energy prices are necessitating the more careful calculation of all existing national resources, including those which were once inconvenient to use. Spain and Denmark have intensified the prospecting and exploitation of natural gas and oil reserves. Small off-shore oil deposits that were once considered to be unprofitable are now being worked, some with the aid of special underwater rigs and equipment. In Norway, for example, electric power stations on floating platforms are to be built on some of these sites.

More wood and peat are being used in the northern countries. In Ireland, where peat is the main fuel for heat and electric power stations, its extraction is being actively subsidized by the government. In Finland a process has been developed for

the industrial cultivation of energy-producing wood, especially fast-growing willow, and the processing of this wood into brick fuel. These resources are also being given considerable attention in Sweden.

By 1980 more than 300 waste liquefaction plants had been set up by local government bodies in the Western European countries. The FRG and France have been quite successful in this area. One of these plants in Great Britain makes 600 tons of household brick fuel out of 1,800 tons of municipal trash each week. Besides this, scrap ferrous metal is separated and remelted, and in some cases this is also done with glass and plastic. Waste fuel is enriched with coal for subsequent industrial use, which has reduced oil expenditures by 70-80 percent in some cases (the technology of the Norwegian Norsem firm for the cement industry). Waste and secondary raw materials covered around 23 percent of the energy requirements of the glass industry and almost 13 percent in the chemical industry and pulp and paper industry in Switzerland (in 1979).

Considerable attention is being given to the production and expanded use of the main type of secondary energy--electricity. Relative expenditures of fuel on its derivation are being reduced. In Great Britain, for example, the volume of electric power increased by 11.2 percent in 1975-1979 but total expenditures of the fuel used increased by 10 percent; the respective figures in 1980-1981 were 10 percent and 7 percent.

Gradual changes are taking place in the structure of energy resources used in the production of electricity. In a number of countries less oil and more coal are being used in heat and electrical power plants. Over the second half of the 1970's the proportion accounted for by coal rose from 67 to 78 percent in Great Britain, from 50 to almost 80 percent in Denmark, and from 16 to 46 percent in France. In the FRG liquid fuel is used to produce only 7 percent of all the electricity.

Nuclear power engineering is being developed, although more slowly than predicted. The production of electrical power at nuclear power plants increased 3.2-fold in Western Europe between 1970 and 1979 (from 39.7 billion kilowatt-hours to 127.6 billion), including a more than 5-fold increase in Spain, a more than 3-fold increase in Switzerland and around an 8-fold increase in France. In France, Belgium and Sweden nuclear power plants account for around one-fourth of the national output of electrical power, and in Switzerland they account for almost one-third.

As for hydraulic resources, whose share of the regional output of electrical power decreased from 43 percent in 1950 to 28 percent in 1978, the possibilities for the extensive expansion of their use have been essentially exhausted. The measures in this area envisage either modernization, as has been the case in Switzerland, where hydroelectric power stations produce around 70 percent of all the electrical power, or the construction of small plants on small rivers and reservoirs for local power systems.

The more efficient production of energy is an important way of conserving it. Here the combined derivation of electrical and thermal energy, which has not been adequately developed in Western Europe, can open up considerable possibilities. Now its significant expansion is being proposed in many countries, especially in nuclear

power plants. An interesting example of the attempt to maximize the energy yield can be found in a Swedish plan for a power engineering complex. It will produce methyl alcohol for motor vehicles and fuel gas for heat and electric power stations and will supply part of Stockholm with hot water by liquefying substandard coal and fuel oil. Its efficiency level should be around 80 percent. The complex is expected to use peat and biomass as fuel in the future.⁶

New sources of energy are gradually being developed with the aid of government grants. The most perceptible results to date have been achieved in the use of solar energy for autonomous heating systems. In Great Britain around 21,000 solar systems have been installed since the beginning of the 1970's to heat household water supplies. More solar collectors for this purpose are being produced and exported. In Italy solar energy is being used to heat hundreds of dwellings and establishments and supply them with hot water, and a solar heat and electric power plant with a capacity of 1,000 kilowatts is in operation. New solar power plants are being built in these countries and in France and Greece.

Energy Consumption

Industry's share of energy consumption in most of the Western European countries is decreasing, while the share of transportation and other branches, including municipal, trade and public services, is growing or remaining stable (see Table 2).⁷

The relative reduction of energy consumption in industry is connected with the overall low level of market activity, the structural reorganization and production cuts in such power-intensive branches as metallurgy and the chemical industry, and conservation measures. The latter have been considerably promoted by the rising price of energy, which has been most perceptible in these branches.

Conservation generally takes the form of the more efficient use of energy and the replacement of petroleum products with hard fuel. In ferrous metallurgy, where total energy losses exceed 50 percent, regenerators and recuperators are being used in heating and smelting furnaces, heat is being derived from flue gas and the water used to cool equipment, etc. Strict control over the entire group of these measures allowed, for example, the Italian state metallurgical company, ITALSIDER (which accounts for approximately 4.5 percent of national energy consumption), to reduce the amount of flue gas dissipated in the atmosphere from 12 percent in 1977 to 1 percent in 1980.

Coal and lignite dust is being used more extensively instead of fuel oil or natural gas in the power-intensive production of construction materials. In the FRG this conserved 800,000 tons of conventional fuel in 1980. In the French cement industry the amount of energy used in the production of a ton of clinker decreased from 1.12 million kilocalories in 1976 to 963,000 in 1979.

Energy consumption per unit of product in the chemical industry decreased between 1970 and 1977 by 6.5 percent in Belgium, 16.2 percent in the FRG, 14.4 percent in France, 18 percent in Italy, 22.8 percent in Holland and 16.4 percent in Great Britain (the average figure for the EEC was 15.6 percent). This savings was achieved at a time of a general increase in the consumption of energy sources in the branch, especially liquid and gaseous resources, both in the form of raw materials (around 53 percent of the total) and as fuel (47 percent).

Table 2
Branch Breakdown of Final Energy Consumption (%)

<u>Countries</u>	<u>Years</u>	<u>Industry</u>	<u>Transportation and communications</u>	<u>Trade and services</u>
FRG	1970	39.4	17.1	43.5
	1975	35.7	20.0	44.3
	1978	34.1	20.9	45.0
Great Britain	1970	42.6	19.3	38.1
	1975	39.5	22.2	38.6
	1979	37.6	22.8	39.6
France	1970	46.8	19.1	34.1
	1975	39.4*	21.6	39.0
	1979	--	--	--
Sweden	1970	--	--	--
	1976	41.3	16.8	41.8
	1979	38.8	17.8	43.2
Austria	1970	36.0	22.5	41.5
	1975	35.4	24.4	40.2
	1979	34.3	24.0	41.7

* 1976.

Calculated with the aid of national statistics.

The efficient use of secondary raw materials is an important factor in energy conservation because it reduces the amount of fuel needed for primary processing. In Switzerland, for example, up to 40 percent of the old glass is remelted. In 1979 waste paper accounted for approximately 50 percent of the raw materials used in the cardboard and paper industry of England, Denmark, the FRG, Ireland, Italy, Holland and Spain and almost one-third in Austria, Switzerland, Belgium and Luxembourg.⁸

In the sphere of transportation, conservation measures have mainly affected motor transport, which accounts for approximately 11 percent of the energy consumption in Western Europe. These measures include a progressive tax on power-consuming vehicles, deductions for economy cars and diesel vehicles, the creation of more economical means of transportation⁹ and the development of alternative types of fuel. According to estimates, the production of more economy cars had conserved 400,000 tons of oil in France by 1980, and another 300,000 tons had been conserved by the institution of more sensible driving habits. In the FRG gas consumption per 100 kilometers in 1979 was 11.1 liters, or 2 percent less than in 1978.

Experts believe that the number of motor vehicles and the total quantity of fuel they consume will increase, but at a slower rate for the fuel. Energy is also to be conserved in other ways: by the expansion of the short-term rental of vehicles to those who make frequent trips, and by the quicker development of an electronic telecommunications network to reduce the number of business trips, which now account for more than 50 percent of all motor vehicle travel. To enhance the

competitive potential of railway transport and reduce its energy consumption, railroads are being electrified in many countries and the speed of trains is being increased to 170-200 kilometers.

In trade and public services, the conservation of energy is connected largely with its more efficient use, which is regulated by legislation, special standards, prices, subsidies and taxes in many countries. New construction standards have been instituted in Denmark, Italy, Great Britain, Holland, Sweden, Norway and the FRG. The government is regulating and subsidizing a program for the gradual improvement of the insulation in buildings erected prior to 1960. Triple-ply glass is being used for the windows of new buildings in a number of countries, as well as triple-ply wall panels with effective insulation, which can reduce heat loss by two-thirds or even four-fifths.

Adjustable air conditioners and heat pumps are being used more widely to heat buildings. According to estimates, the pumps operate on oil but reduce its consumption by half. Heating is being converted from liquid fuel to gas (in the FRG) or electricity (Sweden); separate heaters are being replaced with central heating, particularly the type which recycles heat. The development of central heating is being subsidized by the government in Denmark, Holland, the FRG and Sweden.¹⁰

Finally, massive propaganda campaigns have been launched, brochures are being issued to the public and so forth. Household power tools and electrical appliances are now more likely to have a special label with information about their power consumption level (in Great Britain, Spain, Sweden, Italy, the FRG and Austria). Despite all of these different measures, there has not been much success in energy conservation in this area because new insulation, new heating systems and devices to control and regulate temperature and lighting must be developed and used more widely.

Organizational conservation measures produce rapid and often significant results even without large expenditures. These results, however, soon reach their maximum limits. New technological processes and new equipment require further development or, in other words, constantly increasing capital investments. The new energy-saving equipment is often more expensive than old equipment, but its cost is recouped more quickly than that of standard models as a result of the energy that is conserved. For example, the local council of an English county invested 600 pounds sterling in a boiler control system which produced an annual savings of 125,000 pounds, and the Imperial Chemical Industries concern recouped the 20,000 pounds it spent on a microprocessor monitor after using it for just 10 days.¹¹

More equipment is being produced and sold in Western Europe to conserve energy during the stages of production, transmission, conversion and consumption; more energy-saving control and measurement devices are being produced. According to the head of the West German AEG-Telefunken concern, by the end of the 1980's more than 60 percent of its turnover consisted of energy-saving articles with a high efficiency level and minimum energy consumption and losses, including new alternative electric generator systems.

This kind of activity is being promoted by government grants, international and national competitions and the establishment of specialized coordinating or sales

firms with the active participation of the government. Under the conditions of economic recession and inflation, however, most companies experience great difficulties in mobilizing funds for conservation investments. Government stimuli are incapable of overcoming these difficulties.

Table 3
Changing GDP Power Coefficient of West European Countries¹

Countries	Power coefficient		Proportional energy expenditures	
	1960-1973	1973-1978	1973	1978
Western Europe	1.0	0.9		
Austria	1.1	0.8	8.5 ²	7.4 ²
Belgium	0.9	0.8	28 ³	24 ³
Great Britain	0.7	0.9	2.8 ⁴	2.5 ⁴
Holland	1.4	0.8	39 ³	32 ³
Greece	1.5	0.9	42 ³	41 ³
Denmark	1.1	0.9	202 ³	188 ³
Ireland	1.0	0.9	54 ³	50 ³
Iceland	0.9	0.8	23 ³	19 ³
Spain	1.2	1.1	2.2 ²	2.4 ²
Italy	1.6	0.9	2.5 ²	2.5 ²
Norway	1.1	0.8	--	--
Portugal	1.1	1.0	51 ³	56 ³
Finland	1.7	0.9	238 ³	238 ³
France	1.0	0.8	252 ³	218 ³
FRG	0.9	0.9	474 ³	440 ³
Switzerland	1.3	1.0	244 ³	245 ³
Sweden	1.1	0.9	178 ³	169 ³

1. National currencies were used in the table and the indicator of conventional fuel expenditures per unit of gross domestic product therefore provides some idea of dynamics but cannot be used to compare one country with another.
2. Thousands of tons of conventional fuel per billion units of national currency; constant prices.
3. Tons of conventional fuel per million units of national currency; constant prices.
4. Thousands of tons of conventional fuel per million pounds sterling; constant prices.

Calculated according to: "Yearbook of National Accounts Statistics, 1979," vol I, UN, New York, 1980, Country Tables; vol II, Tables 8, 9; "World Energy Supplies, 1950-1974," Table 2; "...1973-1978," Table 4.

When we assess the results of the Western European efforts to conserve energy, we must not only take the specific features of their national energy programs into account but also remember that the countries themselves differ in terms of their

levels and rates of development. This is why the higher energy consumption indicators in Spain, Greece and Portugal, which are going through something like a period of industrialization, could attest to insufficient concern for energy problems or to a rising power-labor ratio in their economy.

On the regional level, indicators of the power coefficient of GDP growth and proportional expenditures of conventional fuel on the production of the GDP have decreased since 1973 (see Table 3). The consumption of all types of energy in Western Europe increased by 3 percent between 1973 and 1978, but the GDP increased by 11 percent. Furthermore, until the beginning of 1977 the overall energy consumption figure was virtually stable. There were isolated years when it dropped, and it rose slightly in 1978 and 1979.

The energy savings, according to various estimates, amounted to around 6 percent a year in Great Britain in the second half of the 1970's. It amounted to 16 million tons of oil in France in 1978 (including 3 million in industry, 9 million in the housing sector and trade, 2.5 million in transportation and 1.5 million in energy production), and 24 million tons in 1980. In the FRG the savings in 1980 was measured at 13 percent in industry and over 15 percent in the sphere of personal consumption. In 1978 the amount of conventional fuel consumed per dollar of GDP was 53.5 kilograms in the FRG, 64.1 in Italy, 80.6 in Great Britain and 42 in France.¹²

International Cooperation

The energy problem is one of the most urgent global problems of the present day. Its resolution will require various types of international cooperation on different levels. This is now being accomplished within the framework of numerous organizations, which hold conferences and seminars, collect and collate information from member countries, work out recommendations and initiate joint projects. The socialist countries are taking an active part in the work of the United Nations and its specialized organs, the World Energy Conference and several other organizations.

The Western European states¹³ are members of the International Energy Agency, founded in 1974 as part of the OECD, along with the United States, Canada, Japan and other capitalist countries. Conferences of the energy ministers of the IEA members and agency experts assess national energy programs and their results. They also suggest specific ways in which this activity can be improved in various economic spheres or countries and set short- and long-range objectives.

The Western European countries are cooperating most closely within the European Economic Community, which has observer status in the IEA. Since the middle of the 1970's the EEC has been issuing directives to encourage countries to institute administrative conservation measures and has regularly organized international propaganda campaigns. A European "solar atlas," based on the long-term findings of 35 weather stations, was published in 1980. These findings indicate that solar energy could be used even in Northern Europe. At the end of 1980 CEC [Commission of the European Communities] experts drafted a long-range program for the use of the energy of biomass, envisaging the satisfaction of up to 3-4 percent of the energy needs of community members by this means by the year 2000.

The first EEC energy conservation program was adopted at the end of 1974 and the second was adopted in 1979. It focuses on conservation measures and the development of solar energy and controlled thermonuclear synthesis. "Energy scenarios" were drawn up for the years 2000 and 2025 with the aid of mathematical models.

The forecast of the EEC Council (1979) instructs member countries to lower the correlation between the growth of energy consumption and the GDP, which has stayed at around 1 for a long time, to 0.8 by 1985 and 0.7 by 1990; to reduce their dependence on imported energy to 50 percent by 1990, primarily by importing less oil, which should be limited to the 1978 level (470 million tons); to produce up to 75 percent of all their electrical power with hard and nuclear fuel; to stabilize the coal output at the level of 250-270 million tons of conventional fuel; to conduct a realistic pricing policy.

The EEC is encouraging national efforts and cooperation between countries in various fields of energy conservation, including programs for the construction and operation of nuclear power plants, uranium mining and concentration, gas diffusion and the use of solar energy. The industrial production of electricity in a small solar power plant with a capacity of 1,000 kilowatts began in spring 1981 on the island of Sicily (Italy). The plant was partially financed by the EEC. The CEC is financing projects for the prospecting, extraction, shipment and storage of oil and gas, the development of technology for the derivation, storage and use of hydrogen, the creation of experimental energy-saving technological equipment, etc. The CEC offers this assistance after holding international competitions and choosing the most promising projects. Between 1976 and 1978 community funds, according to its estimates, covered around 8 percent of national state energy expenditures.

The Commission of the European Communities is attempting to direct and coordinate the energy programs of its members and to work out a single energy policy. Disagreements over pricing policy and energy supplies, however, have kept these efforts from producing any positive results to date. In particular, Great Britain, which became a net exporter of oil in the last few years, has stubbornly declined all EEC attempts to give community members priority in oil deliveries in the event of a new flareup of the energy crisis.

In addition to their multilateral efforts, the Western European states have established broad bilateral contacts in various fields of conservation. The FRG and Great Britain are exchanging coal mining experience and information. The FRG is working on coal gasification and hydrogenization projects with Belgium, Holland, the United States and South Africa. French, English and West German companies producing equipment for the use of solar energy are cooperating with the United States, Greece and Portugal.

The gradual transition to less power-intensive economic development in Western Europe is being made under difficult conditions. The energy policy of some countries is limited and shortsighted and suffers from the absence of precise criteria and valid economic calculations, particularly those concerning alternative areas of investment. It is still not known which investments--those in the development of new deposits, the development of new sources of energy or the conservation of the energy that is already being produced--will have the greatest impact over the long range in combination with structural reorganization and the resolution of ecological problems. The implementation of even the most consistent programs is being

impeded by market fluctuations and conflicts of interest involving various monopolistic circles. The numerous attempts to work out a coordinated regional energy policy have not been successful either.

The emphasis on the use of the pricing mechanism makes the energy programs dependent on changes in world oil prices. Their stabilization or reduction are often regarded as factors capable of frustrating conservation efforts.

Of course, the general reduction of energy consumption is connected to a considerable extent with the low economic rates and structural changes that have been characteristic of the Western European economies since the middle of the 1970's. Under these conditions, some companies are using less energy. However, they do not have the financial potential to make long-term energy-saving capital investments. Government allocations for these purposes are limited by the insufficient funds and huge deficits in state budgets.

At the same time, the tendency toward a relative shortage of traditional sources of energy and the development of new ones appears to be one of long duration. Energy conservation is becoming an integral part of overall structural reorganization during the new stage of the technological revolution and international division of labor. The global nature of the energy problem requires the extensive use of various measures and their long-range coordination on the national level and the exchange of information, scientific and technical cooperation and the more widespread exchange of new energy-saving equipment and technology on the international level.

FOOTNOTES

1. Energy conservation programs were adopted in 1979 in Austria, 1974, 1977, 1978 and 1979 in Great Britain, 1977 and 1979 in Greece, 1976 in Denmark, 1979 in Spain, 1977 and 1981 in Italy, 1974 in the Netherlands, 1977 and 1979 in Norway, 1974 and 1980 in France, 1967 and 1977 in Finland, 1976, 1978 and 1979 in the FRG, and 1975 and 1981 in Sweden.
2. A resolution of a conference of the energy ministers of the International Energy Agency members (December 1980) said: "The pricing mechanism constitutes the basis of an effective approach to energy conservation and the modification of energy consumption patterns" (PETROLEUM ECONOMIST, June 1981, p 230).
3. Between 1966 and 1978 English domestic prices rose by around 77 percent for gas, 314 percent for coal and over 500 percent for fuel oil (LABOR RESEARCH, April 1980, pp 74-75).
4. Rising prices made gas and electricity 10-30 percent costlier for producers in the British processing industry than for their rivals in France and the FRG. In spring 1981 England accused these countries of covertly subsidizing their industry and demanded that the CEC work out a single set of principles governing energy prices in the EEC countries (EUROPEAN CHEMICAL NEWS, 16 March 1981, p 17).

5. The gas, coal, electric power, nuclear power and metallurgical industries, the railroads and some of the airlines have been nationalized.
6. For more detail, see EUROPEAN CHEMICAL NEWS, 9 February 1981, p 20; PETROLEUM ECONOMIST, March 1981, p 97.
7. The proportion accounted for by agriculture in total energy consumption does not exceed 2 percent and is usually not computed separately.
8. BRITISH BUSINESS, 13 March 1981, p 517.
9. Government agencies and automobile firms in the FRG and France have concluded agreements in accordance with which the firms hope to make the engines of their new models 10-12 percent more economical by 1985.
10. In the FRG the government allocated almost 1 billion dollars at the end of 1981 for a 5-year program to increase the relative number of dwellings with central heating from 8 percent to 25 percent (THE ECONOMIST, 5 December 1981, p 101).
11. BRITISH BUSINESS, 6 March 1981, p 450.
12. "Indicators of Science and Technology," Tokyo, 1980, p 163.
13. Austria, Belgium, Great Britain, Greece, Denmark, Ireland, Spain, Italy, Luxembourg, the Netherlands, Norway, Portugal, the FRG, Switzerland and Sweden.

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